Paysafe Group Holdings II Limited

Annual report and financial statements

For the year ended 31 December 2020

Registered number: 10880277

Company Information

Company Number:
10880277

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Strategic report for the year ended 31 December 2020

Strategic Report

Principal activities

Paysafe Group Holdings II Limited and its subsidiaries (herein referred to as "the Group" or "Paysafe") is a leading global provider of end-to-end payment solutions.

Our core purpose is to enable businesses and consumers to connect and transact seamlessly through industry-leading capabilities in integrated processing, digital wallet and online eCash solutions. With over 20 years of online payment experience, Paysafe connects businesses and consumers across 200 payment types in over 40 currencies around the world.

Paysafe Group Holdings II Limited is owned primarily by funds of Blackstone and CVC Capital Partners ("CVC").

Business review

Paysafe have remained resilient in 2020, despite the ongoing COVID-19 pandemic. Revenue has remained consistent year on year, with offsetting movements in each of our divisions. Adjusted EBITDA decreased by 9.3% to $433.3m, primarily driven by increase cost of sales, due to a change in sales mix, and increased employee costs due to increased headcount.

The Group has continued to add strength and depth to its management team, including Ismail (Izzy) Dawood who joined Paysafe in September 2020 as Chief Financial Officer, as well as Afshin Yazdian who joined Paysafe in July 2020 as Chief Executive Officer, US Acquiring.

Izzy brings to Paysafe a proven track record of over 25 years in financial leadership and has previously held CFO positions in both public and private organisations. His extensive experience includes corporate finance, treasury, investor relations, tax, financial planning and analysis, operational performance management, controllership, M&A and strategy.

Afshin has over two decades of leadership experience in payments. Most recently, he was President of Priority Payment Systems (PPS), a Georgia-based payments technology company serving over 174,000 merchants throughout America. Before that, he served as President and CEO of New York-based Cynergy Data before its merger with PPS. Earlier in his career, he worked for iPayment for over a decade as Executive Vice President and General Counsel and was instrumental in the formation of the company – itself acquired by Paysafe in 2018.

The Group's strategy is set out in more detail for each of the three divisions in the following section, however, can be summarised as:

- *Penetrate and serve our large client base more effectively:* Generate new revenue and earnings growth opportunities from a series of initiatives targeted at our large, existing client base and operations.
- *Penetrate high-growth and profitable verticals and markets:* Generate new revenue and earnings growth opportunities through increasing market share in existing markets and entering new verticals and Geographic markets.
- *Win in the highly attractive U.S. iGaming market:* Continue to leverage our privileged position as the global leader of digital commerce solutions in the iGaming market to benefit from the very fast growth and large addressable market opportunity in U.S. iGaming.
- *Pursue strategic acquisitions to consolidate the market:* Pursue acquisitions to gain access to strategically important technology, products, and distribution, as well as to enter new markets or supplement our position in markets we currently serve.

Paysafe has focused on its core offering in 2020, continuing to develop pioneering, industry leading technology and acting as a disruptor in the payments sector. Key product developments are noted within the divisional sections below.

COVID-19

In March 2020, an outbreak of a novel strain of the coronavirus (referred to as COVID-19) occurred and developed such that on 11 March 2020, the World Health Organisation characterised the outbreak as a pandemic.

On 17 March 2020, as a precautionary measure to increase our cash position and preserve financial flexibility in light of uncertainty in the global markets resulting from the COVID-19 pandemic, we borrowed $216m under our revolving credit facility. We subsequently repaid all outstanding borrowings under our revolving credit facility during the period between 17 August 2020 and 13 October 2020.

As a result of the COVID-19 pandemic, we have experienced slowed growth or decline in new demand for our products and services and lower demand from our existing merchants, which has contributed, in part, to intangible impairments of $116.1m recognised during the year (see Note 14), in addition to an impairment loss on financial assets. Impairment loss on financial assets recognised during the same period were $54.2m (see Note 28). However, an estimate of the full extent to which COVID-19 has impacted the Group's financial results cannot be reasonably made.

Digital Wallets

Our Digital Wallets business provides a unique network of digital wallet solutions under the Skrill and Neteller brands to both consumers and merchants globally. The business earns the majority of its revenues from fees charged to merchants or consumers in relation to the provision of electronic money and the remittance of funds.

The growth strategy for this business is one of product development, continual improvements to our platform and our customer experience (enhancing consumer conversion, usage and retention) via both technology and other initiatives, as well as a continued focus on revenues from developing markets. The Group also continues to pursue the potentially significant US iGaming opportunity (set out in more detail below) of which the Digital Wallet business could be a material beneficiary.

2020 saw Digital Wallets impacted by lower volumes due to the impact of COVID-19 on sports betting, as well as the impact of certain changes in regulatory requirements. Revenue decreased by $29.7m (7.1%) to $386.2m and gross profit decreased by $24.0m (7.2%) to $309.4m. Further information on financial performance is noted within the results section below.

During 2020 the division announced several new initiatives in relation to its ongoing expansion in the U.S., including new commercial partnerships as well as the launch of several products in the U.S., including the Skrill Visa® Prepaid Card In January, the Skrill Money Transfer solution, and the Skrill Knect loyalty program.

In 2020, Skrill announced a four-year partnership with AC Milan which saw them become the Official Global Payments partner for the football club. As part of the partnership agreement, Skrill has become the preferred payments partner for AC Milan merchandise sales and is a live payments option on its international online store which serves fans around the world.

Integrated Processing

The Integrated Processing division provides a range of integrated commerce solutions enabling a broad range of small to medium size businesses to accept card payments either in-store or online. The largest product offering of this division is the US and Canadian focussed merchant acquiring and processing services provided in-store to small to medium businesses. This division also offers eCommerce solutions in the US, Canada and UK via a merchant gateway and related services. These products are offered both via a direct sales force and through independent sales organisations and integrated software vendor partners who on sell our services. The business earns the majority of its revenues from fees charged to merchants in relation to the processing and settlement of payment transactions.

Continued growth is expected in the US payments market, with further forecast movement from cash to card based payments, expansion in both e- and mobile commerce and forecasts for retail payments growth in the US providing a strong foundation for the growth of this business. This, alongside our strategic focus into well managed higher margin and higher risk online payment processing segment, a focus on direct (rather than partner sales), and the post integration investment and improvement in technology and customer services in our core US payments business, are the key drivers of future growth.

2020 saw the Integrated Processing division impacted by lower transaction volumes as a result of COVID-19. Revenue decreased by $16.8m (2.3%) to $713.3m and gross profit decreased by $26.3m (6.1%) to $403.2m. Further information on financial performance is noted within the results section below.

In 2020, the Integrated Processing division entered into partnerships with several key merchants, as well as continuing to focus on the integration of its operations in order to drive further scale.

eCash Solutions

The eCash division provides digital currency solutions to integrated merchants, enabling consumers to use cash to pay for goods and services online and on mobile. The eCash division has two principal products: paysafecard (a prepaid stored value solution to digitise cash) and paysafecash (an online cash solution). The business earns the majority of its revenues from fees charged to merchants in relation to the processing and settlement of payment transactions using its products with a fee payable to the network of distribution partners for the provision of the voucher to the user or end consumer.

The eCash solutions business saw a strong performance in 2020, driven primarily by higher volumes from online poker merchants during the COVID-19 pandemic due to changes in customer behaviour. Revenue increased by $54.9m (20.7%) to $319.5m and gross profit increased by $32.5m (23.4%) to $171.6m. Further information on financial performance is noted within the results section below.

The growth strategy for this business includes product development, with the continued roll out of the newer paysafecash product to merchants and consumers, the integration and subsequent scaling of new merchants, as well as further international expansion in new markets.

In the course of 2020, paysafecard and paysafecash have expanded into several new territories, entered into several new partnerships as well as expanding its offering with key merchants over the course of the year (such as Microsoft).

2020 also saw the acquisition of Openbucks Corp, a payment gateway that allows online merchants to accept retail gift cards as an alternative form of payment to credit cards, something that is particularly popular amongst online gaming and eSports operators. For Paysafe, this latest investment forms part of its strategy to further expand its cash alternative payment offering in the US, one of the world's largest e-commerce markets. See further details in Note 24.

Results

Group income statement

	Year-ended 31 December 2020	Year-ended 31 December 2019
	US$'000	US$'000
Revenue	1,423,024	1,419,379
Gross profit	888,201	910,644
Gross profit margin	62.4%	64.2%
Adjusted EBITDA[1]	433,280	477,656
Adjusted EBITDA margin	30.4%	33.7%
Loss after taxation	(520,420)	(479,984)

[1] Adjusted EBITDA is an alternative performance measure and is defined as the Group's result from operating activities before depreciation and amortisation, fair value gain on contingent consideration payable, exceptional items, share based payments, impairment charges and loss on disposal of assets. See Appendix I for a reconciliation to the nearest statutory measure.

Revenue and Gross Profit

Group

Revenue remained largely consistent, increasing by $3.6m (0.3%) to $1,423.0m, with movements within each division largely offsetting. The movement in revenue is explained below within the divisional reviews.

Gross profit decreased by $22.4m (2.5%) to $888.2m. The Group's gross profit margin decreased from 64.2% to 62.4%. This decrease in gross profit margin is primarily attributable to an increase in fees paid to ISO partners in our Integrated Processing division due to a change in revenue mix. The decrease is also attributable to increases in certain fees in our Digital Wallets division, including fees paid to affiliate partners, as well as fees paid to processing partners primarily due to growth of Skrill Money Transfer. The decrease in gross profit is further explained within the divisional reviews below.

Integrated Processing

	Year-ended 31 December 2020	Year-ended 31 December 2019
Revenue (USD $'000)	713,312	730,122
Gross profit (USD $'000)	403,153	429,418
Gross profit margin	56.5%	58.8%
Volume[1] (USD $'M)	67,590	68,879
Take rate[1]	1.1%	1.1%

[1]Unaudited

Revenue decreased by $16.8m (2.3%) to $713.3m. This decrease was due to the impact of COVID-19 and an associated decrease in volumes year-on-year.

Gross profit decreased by $26.3m (6.1%) to $403.2m due to the reasons noted above for the revenue decrease. Gross profit margin decreased from 58.8% to 56.5% primarily driven by an increase in fees paid to ISO partners, due to changes in revenue mix.

The decrease in volume on a reported basis is primarily due to the impact of COVID-19.

Digital Wallets

	Year-ended 31 December 2020	Year-ended 31 December 2019
Revenue (USD $'000)	386,222	415,947
Gross profit (USD $'000)	309,374	333,383
Gross profit margin	80.1%	80.2%
Volume[1] (USD $'M)	20,417	26,237
Take rate[1]	1.9%	1.6%

[1]Unaudited

Revenue decreased by $29.7m (7.1%) to $386.2m. This decrease was primarily due to a result of lower volumes year-on-year due to the impact of COVID-19 on sports betting, as well as the impact of certain changes in regulatory requirements.

Gross profit decreased by $24.0m (7.2%) to $309.4m due to the reasons noted above for the revenue decrease. Gross profit margin remained relatively consistent, seeing a slight decrease from 80.2% to 80.1% primarily driven by an increase in fees paid to other third-party payment providers resulting from the increase in volumes in Skrill Money Transfer.

Volumes have decreased by 22.2% due to the core reasons as noted above for revenue.

eCash Solutions

	Year-ended 31 December 2020	Year-ended 31 December 2019
Revenue (USD $'000)	319,446	264,584
Gross profit (USD $'000)	171,630	139,117
Gross profit margin	53.7%	52.6%
Volume[1] (USD $'M)	4,640	3,801
Take rate[1]	7.2%	7.2%

[1]Unaudited

Revenue increased by $54.9m (20.7%) to $319.4m. This increase was driven primarily by higher volumes from online poker merchants during the COVID-19 pandemic due to changes in customer behaviours.

Gross profit increased by $32.5m (23.4%) to $171.6m due to the reasons noted above for the revenue growth. Gross profit margin increased from 52.6% to 53.7% due to a revenue mix shift to higher margin verticals for the year.

Volume has increased by 22.1% due primarily to the factors for revenue growth as explained above.

Adjusted EBITDA and results from operating activities

The Group uses adjusted EBITDA, an adjusted performance measure, to provide readers with additional financial information that is regularly reviewed by management to assess the financial performance of the Group (see Appendix I). Paysafe's management use adjusted EBITDA, in conjunction with other IFRS and non-IFRS financial measures, to assess the underlying operating performance of our Group. As such, we believe that it is both useful and necessary to report adjusted EBITDA as a performance measure for the users of the financial statements.

Group adjusted EBITDA decreased by $44.4m (9.3%) from $477.7m to $433.3m. This is due to the decrease of $22.4m of gross profit noted above, and increases in the Group's cost base, including operating expenses, reflecting the continued growth of the Group.

Operating expenses have increased primarily due to an increase in personnel costs resulting from investments in certain critical functions, such as risk, compliance, and finance. In addition, there was an increase in legal and professional fees of due to fees paid to third parties to support remediation of control deficiencies and increased spend in risk management tools, as well as other offsetting movements.

The net impairment losses on financial assets have decreased by $6.2m (10.3%) from $60.4m to $54.2m. The reason for the overall reduction in the year is due to the disposal of Payolution GmbH (see note 25), offset by an increase in impairment losses on financial assets in our integrated processing business. Further disclosures related to the Group's exposure to chargebacks and wider credit losses are made within the risk section of the strategic report and within Note 28 to the financial statements.

Adjusted EBITDA margin has decreased from 33.7% to 30.4% primarily due to change in revenue mix within Integrated Processing as explained in the gross profit section and increased personnel costs due to an increase in headcount resulting from investments in certain critical functions.

A reconciliation of the Group's adjusted EBITDA to the Group's profit from operating activities is as follows:

	Year-ended 31 December 2020 US$'000	Year-ended 31 December 2019 US$'000
Profit from operating activities	**90,613**	**117,771**
Add back:		
Depreciation and amortisation (see Note 7)	283,707	289,984
Exceptional items (see Appendix I)	20,641	54,695
Profit on disposal of subsidiary (Note 25)	(13,137)	(4,828)
Loss on disposal of assets	416	51
Other gains/losses (see Note 7)	5,943	-
Employee stock options (Note 9)	26,291	16,704
Net foreign exchange loss (see Appendix I)	18,806	3,279
Adjusted EBITDA	**433,280**	**477,656**

Profit from operating activities decreased $27.2m to $90.6m, primarily driven by a decrease in Adjusted EBITDA, an increase in employee stock option expenses and an increase in net foreign exchange loss. This was offset by a significant reduction in exceptional costs, due to significant costs incurred in 2019 relating to the establishment of a SOX program, integration of iPayment in to the Group, costs relating to our Brexit migration and advisory costs in anticipation of a potential listing. This is further offset by a decrease in depreciation and amortisation which is primarily attributable to the impact of the impairment on intangible assets recognised during the year-ended 2019, offset by the impact of additions in intangible assets in the same period. And further offset by the profit on disposal of subsidiary (see Note 25).

Loss after taxation

The loss after taxation for the year was $520.4m compared to the prior year loss of $480.0m. The increased loss is due to an increase in net finance costs and taxation, and the decrease in operating profit as noted above, offset by a decrease in impairment in intangibles.

Group cashflows

As disclosed in Note 3 to the financial statements, the consolidated statement of cashflows reconciles to the total of Cash and cash equivalents, and Restricted cash in respect of customer accounts ("Restricted cash"). Due to the presentation of Restricted cash within the consolidated statement of cashflows, cashflows from operating activities can be significantly impacted by the volume and timing of settlement at year end.

The Group's net cashflows from operating activities increased by $105.7m (22.6%) to $573.8m. The reconciliation below shows the decrease in operating activities excluding the movements of payments working capital (see below).

	Year-ended 31 December 2020 $'000 USD	Year-ended 31 December 2019 $'000 USD
Net cashflows from operating activities	**573,801**	**468,068**
Deduct:		
Increase in funds payable and amounts due to customers	135,037	85,067
Decrease/(increase) in settlement receivables	37,640	(44,081)
Net cashflows from operating activities excluding movements in payments working capital	**401,124**	**427,082**

The Group's net cashflows from operating activities excluding movements in payments working capital decreased by $26.0m (6.1%) to $401.1m. The decrease is due to the decrease in adjusted EBITDA as explained above and the movement in operating working capital (consisting of Trade Receivables, Other receivables and prepaid expenses and Trade and other payables), partially offset by a decrease in taxes paid.

Net cashflows used in investing activities was $56.9m for the year, compared with $168.3m in the prior year. This decrease is primarily attributed to a reduction in purchases of merchant portfolios (See Note 14), as well as a net cash inflow on disposal of subsidiaries of $44.9m relating to the disposal of Payolution GmbH (see Note 25).

Net cashflows used in financing activities was $234.5m for the year, compared with $99.6m in the prior year. This increase primarily resulted from the net impact of repayments of the Group's borrowing facilities, including its revolving credit facility.
Effect of foreign exchange rate changes on cash at year end resulted in a gain of $99.1m, compared with a loss of $15.8m in the prior year.

The total increase in Cash, Cash Equivalents and Restricted Cash in the year was $381.5m due to the factors noted above.

Payments working capital

The Group's Restricted cash in respect of customer accounts primarily relates to either funds that we have received from consumers in exchange for electronic money or funds received from merchants in the transaction settlement cycle. Upon receipt of funds from a consumer or merchant, the Group recognises a corresponding liability that is recorded within the Consolidated Statement of Financial Position as Funds payable and amounts due to customers. The financial statement line items Settlement receivables, Restricted cash in respect of customer accounts and Funds payable and amounts due to customers are together referred to as Payments working capital (see Appendix I)

The individual items within Payments working capital can be significantly impacted by the timing and volume of settlement, whereas the total balance of all Payments working capital items are not as significantly impacted by normal daily movements. The Group reviews the net movement of these financial statement line items as part of its monitoring of working capital and cashflow management.

Settlement Receivables and Funds payable and amounts due to customers are presented within the Group's net cashflows from operating activities, whereas Restricted cash balances are excluded from this total. As a result, the Group's net cashflows from operating activities are significantly impacted by the timing and volume of settlement.

Total payments working capital (see Appendix I) has decreased by $22.3m to $47.1m due to lower volumes year on year and better utilisation of bank guarantees within the safeguarding process.

Group balance sheet

The Group's non-current assets decreased by $152.8m to $5,375.0m. The decrease is primarily due to the amortisation of intangible assets, offset by additions in the year. Additions in the year primarily relate to capitalised development costs as the Group continues to invest in its technology infrastructure and offering, as well as merchant portfolio acquisitions (see Note 14).

The Group's current assets increased by $329.3m to $2,205.2m. The increase is primarily due to an increase in Cash and Cash Equivalents as explained above, as well as an increase in payments working capital items due to the timing of settlements and the impact of prefunding as noted above.

The Group's total liabilities has increased by $660.0m to $8,828.7m. This is primarily due to an increase in loans and borrowings resulting mainly from the interest accrued on loans and borrowings and an increase in Funds payable and amounts due to customers due to timing of settlements.

Key Performance Indicators

We regularly monitor the following key performance indicators to evaluate our business and trends, measure our performance, prepare financial projections, and make strategic decisions. We believe that these key performance indicators are useful in understanding the underlying trends in the Group's business.

Volume and Take Rate

Gross dollar volume is calculated as the dollar value of payment transactions processed by the Group. To reflect the distinct nature of our products across each segment, this includes, but is not limited to, the following:

- For Integrated Processing: credit card and debit card transactions, and purchases made via PayLater
- For Digital Wallet: Deposits, withdrawals, transfers to merchants from consumers, transfers from merchants to consumers, wallet-to-wallet transfers, and pre-paid Mastercard transactions
- For eCash Solutions: Transactions where vouchers are redeemed at merchants, and pre-paid Mastercard transactions

Volume (also known as gross dollar volume) is a meaningful indicator of our business and financial performance, as we typically generate revenue across our solutions based on per transaction fees that are calculated as a percentage of transaction dollar volume. In addition, volume provides a measure of the level of payment traffic we are handling for our consumers and merchants. Many marketing initiatives are focused on driving more volume, either through encouraging greater adoption of our payment products or increasing activity through existing merchants or consumers. As with any KPI, volume needs to be considered in context of products driving any movements across periods, as the pricing across different volume-generating products varies.

Take rate is calculated as operating segment revenue divided by gross dollar volume. Take-rate is a meaningful indicator of our business and financial performance as it describes the percentage of revenue collected by Paysafe on the volume of transactions processed. This is used by management as an indication of pricing or product mix trends over time. Please note this does not represent absolute pricing within each segment, due to the mix of product types and pricing agreements that will be in place with specific merchants. It will also factor in revenue from fees that are not directly linked to volume-based transactions, such as inactivity fees charged on dormant accounts.

The volume and take rate of each division can be found in the results section within this strategic report.

Off-Balance Sheet Arrangements

During the years ended 31 December 2020 and 2019, we did not have any off-balance sheet arrangements, other than letters of credit and financial guarantee contracts entered into in the ordinary course of business.

People and Employee engagement

Paysafe is committed to attracting and retaining the best talent, providing a culture of collaboration and inclusion and creating an environment that ensures its people have the skills and resources needed to continue to disrupt the payments industry and deliver value to customers and partners, whilst developing a rewarding career.

Paysafe had approximately 3,400 employees as at the year-end, which was largely consistent with the previous financial year (3,394).

Paysafe is geographically and culturally diverse company built through organic growth and acquisition. 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. In order to foster collaboration and engagement across borders it leverages a number of different initiatives and tools.

These include:

- Paysafe has a strong cultural foundation built around Optimism, Collaboration, Inclusion, Success and Fun. These cultural attributes are underpinned by four values, designed by our employees, of Pioneering. Courageous, Open and Focused. The values are embedded throughout our business through recruitment, reward, recognition, development, performance management and our very own "Paysafe Code". In 2020 over 17,000 values badges were given by staff to their colleagues all over the world.
- 'Paysafe day' is one day in the year when Paysafe reflects on who we are, what we aspire to be and how we influence our communities. We give thanks to our long serving employees, those whom have been promoted, and those that are deserving of recognition.
- In 2020 we introduced an additional 'Paysafe Team Day' promoting the value of our teams and collaboration. We focused on inclusive activities (albeit largely virtual) and spending time with colleagues and friends.
- Learning & Development is a key component of how we foster our values and culture and grow our own. It also ensures compliance with regulatory needs via tracked online training and test programmes.
- Paysafe participates in the Glint Engagement and Experience Survey where we ask employees to provide feedback on their levels of engagement and experience when they join, during their tenure (once per year) and also when they leave. In 2020 we posted some strong results, with a response rate of 87%; a 79-point engagement index and over 2,000 comments. These scores were consistent across gender and generation variances.
- Paysafe utilises the Glint Management Effectiveness tool to help managers understand the pulse of their employees and provide insight into their management style and effectiveness. In 2020 the overall management effectiveness score was 85% with participation running at 86%.
- Paysafe provides strong support to wellness and mental health in the workplace via local and global programmes, including a global wellness week, mental health awareness programmes and healthy eating.
- In 2020, we placed more significant emphasis on wellness and mental health. After the outbreak of the global pandemic, we rolled out a global "Be Yourself Better" Learning & Development programme, focused on supporting employees and managers through the switch to remote working.
- All Paysafe Managers attended a training programme on 'Leading Through Crisis' to provide managers with the tools they need to support their teams
- Paysafe fosters a diverse and inclusive workplace - ensuring that we reflect the societies in which we operate with a culture which is free from harassment, bullying and intimidation. This is further detailed below.

Diversity and Inclusion

At Paysafe Diversity and Inclusion is considered a strategic priority and not just a tick box, numbers exercise. All members of Paysafe's Board and Executive Teams have fully endorsed this and are committed to creating a working environment where everyone's unique contribution is valued. Paysafe recognize that being a truly diverse and inclusive company requires continuous efforts and long-term commitment.

In 2020, Paysafe continued to provide a range of D&I training initiatives, including:

- Mandatory Diversity and Inclusion awareness training for all employees bi-annually and for all new employees upon joining Paysafe
- All D&I champions went through unconscious bias training and the training is available for all employees
- Unbiased recruitment training for HR recruitment teams
- Anti-Harassment training

The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled, the Group aims to continue their employment, either in the same, or an alternative, position, with appropriate retraining being given if necessary.

Paysafe continues to focus on gender diversity as a core objective of our Diversity and Inclusion strategy, with multiple initiatives including:

- Strengthening the pipeline of talented women through stronger recruitment practices
- Coaching and mentoring programme for high potential female employees
- Membership of the FT125 Women's Forum, which aims to help talented women at mid-career level to progress into leadership roles
- Membership of the EWPN and UWN providing networking and personal and professional development opportunities
- Part of the UK women in finance charter, holding Paysafe accountable to ensuring that women represent at least 30 percent of our senior management by 2023

Strategic report for the year ended 31 December 2020 (continued)

Paysafe also focused on other protected characteristics and will continue to do so in 2021. In 2020 Paysafe introduced global Networks, to support the Group's D&I agenda endorsed by an established D&I Steering Committee, the Executive Committee and Board. These groups include Women @ Paysafe, Black @ Paysafe, Families @ Paysafe and LGBTQ+ @ Paysafe. Key events celebrated globally throughout the year included International Women's Day and Black History Month. 2020 also saw the introduction of Employee Podcasts, where employees share their experiences and stories to the wider organisation.

The table below provides a breakdown of Paysafe's global gender diversity information:

	2020	2019
Global Headcount (% female)	46%	43%
Senior Management (% female)	24%	33%
Executive Team (% female)	23%	13%
Participation to Leadership and High Potential programmes (% female)	48%	48%
Gender Pay Gap (% average median)	14%	18%
Equal Pay (%)*	100%	100%
Pulse survey question: Paysafe demonstrates its genuine commitment to Diversity & Inclusion	81% favourable response	76% favourable response

* Paysafe ensures all employees are paid equally for equal roles

Charities and community initiatives

Paysafe continues to support various charitable endeavours that support local communities, with charitable spending totalling $285,000 for the period.

At the beginning of 2020, Paysafe made a commitment to have employees globally spend 2,000 days on volunteering and other CSR initiatvies in their local communities. Unfortunately, the global pandemic meant that it was not possible to spend these days and efforts moved to charitable support and other fundraising initiatives.

Looking into 2020, Paysafe decided to focus its charitable efforts around the theme of 'future generations', supporting young people in our local communities.

Notable charities and community initiatives supported in 2020 in our key locations include:

- In the United States the Group supported the Make a Wish Foundation through sponsorships of wishes, celebrations and the donation of air miles to the charity. The Group also donated $63,000 to Charity Plan International supporting children's rights and equality for girls.
- In the DACH region, the Group supported the Ute Bock Refugee Project in the form of monetary donations, internships and volunteering.
- In the UK we supported Street League, a football tournament in the UK that raises funds and awareness for unemployed youths, helping them move in to work or undertake further training and social mobility internships with UK charity UpReach
- In Sofia, the Group supported the Foundation Bcause supporting crisis centres for mothers and children fleeing violence in addition to supporting 'Ready for Success' scholarships supporting orphans to finish their studies.
- In Montreal employees volunteered at Breakfast clubs and we supported fundraising at the Montreal Children's hospital; and
- In India we supported a government run school with renovations and repairs supporting approximately 150 local school children.

In 2020, Paysafe was certified as a Carbon Neutral company. Efforts for Carbon Neutrality continue and in 2021 greater emphasis will be made on maximising opportunities to reduce our global footprint.

Outlook and future development

Following the merger with Foley Trasimene Acquisition Corp II, and the transfer of shares in Pi Jersey Holdco 1.5 Limited to a separate entity, Paysafe Limited, the Company is expected to act as a holding company. From the date of the transaction, the Company no longer controls Pi Jersey Holdco 1.5 Limited and its subsidiaries.

Energy and carbon report

Reporting Boundary

The reporting boundary for the Energy and Carbon Report is the UK-based elements of Paysafe Group Holdings II Limited and its subsidiaries.

Measurement Methodology

In line with the GHG Protocol Corporate Accounting and Reporting Standard, greenhouse gas emissions (GHG) are reported separately as cope 1 (direct emissions), scope 2 (indirect emissions from purchased electricity) and scope 3 (all other indirect emissions) using a carbon dioxide equivalent. A carbon dioxide equivalent is used to enable global warming potential of a variety of GHGs to be combined and reported using a single standardised unit of measurement.

	2020
Emissions from combustion of gas (Scope 1 – tonnes of CO_2e)	15.8
missions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO_2e)	370.7
Total gross CO_2e based on above	**386.5**
Energy consumption used to calculate emissions - kwh	1,450,211
tonnes of CO_2e per full time UK based employee	1.1

Energy and Carbon Performance Commentary

During 2020, the Group achieved carbon neutral company status. The milestone forms part of the Groups ongoing commitment to the environment, a key programme within its overall corporate responsibility approach.

The Group's carbon neutral certification has been backdated to cover its carbon footprint in 2019 as well as 2020 and was achieved following an extensive data gathering and third-party verification process. The impact of its carbon footprint for the two years was then offset by financing several sustainability projects in developing countries. The three sustainability projects that the Group committed to were water filtration and improved cookstoves in Guatemala; community reforestation in East Africa; and renewable energy development through wind power in West India.

In addition to supporting carbon offsetting projects in developing countries, The Group is also working with employee ambassadors to identify ongoing initiatives to reduce and offset its carbon footprint.

The Group are committed to future carbon neutrality through the reduction of our total carbon footprint and purchasing carbon credits to offset our carbon footprint via various projects.

Principal risks and uncertainties

The Paysafe Group has carried out a robust, systematic assessment of the principal enterprise risks facing the Group during the year, including those which would threaten its business model, future performance, solvency, or liquidity. The principal risks as determined by the Board are listed in the table below, together with corresponding mitigating actions. This is not intended to be an exhaustive list of all risks and uncertainties that may arise.

Risk Category	Risk Statement	Examples of mitigating activities
Information technology	Confidential, customer, and commercial data may be compromised by malware, ransomware, phishing, cyber attack, denial of service attacks or insider threats due to inadequate systems, processes or controls. Access to confidential, customer, and commercial information may be inappropriately allocated to unauthorised individuals.	• Priority Patch Management process and Emergency Patch process implemented globally. • Established SOC capability, with expansion of the monitoring team and the Threat Hunting and Intelligence Function. • Introduction of Secure SDLC and Application Security Assessment Standards to enable systems and platforms adhere to best practice requirements. • Introduction of Third-Party Security Risk Assessment to identify specific security control weaknesses. • Obtaining Cyber Insurance coverage, including specialist support in the event of a cyber incident. • Established taskforce for short-term strategic improvements for critical systems over a phased approach, including creation of SOC Conflicts Matrix and User Access Review (UAR) process enhancements. • Phased expansion of current Privileged Access Security solution to more Paysafe products.

Information technology	Failing to plan for, mitigate and respond to planned or unplanned disruptions to the normal provision of business services due to unavailability of work environments, IT and telecommunication systems in the event of disruptions resulting in significant operational impacts. - Absence of a framework to guide management's response, communication, management and recovery as a result of an unforeseen event or crisis.	• Rollout of BCM Plan and execution of annual BC exercise. • Introduction of secondary site in Sofia and performance of local BC exercise to validate Recovery Time Objective. • Implementation of cloud-based data centres and failover capability to backup data centres to enable emergency backups and restores for Westlake operations. • Formal primary/ secondary participants for group crisis & local crisis management teams. • Identification of key triggers & appropriate crisis management level responses. • Formulate, document and socialise crisis management framework; including business management triage • Documentation, publication and communication of a Crisis Management Standard with strategic, tactical and operational levels of activity.
Information technology	There is a risk of comprehensive system availability to ensure continuous operations of key business processes and customer facing services. that technology related incidents are not managed in a timely, consistent and prioritised manner to limit impact to business operations and customer facing services	• Establishing a program focused on shoring up the stability and resiliency of the related platforms. • Risk Assessment on current business changes and its contribution towards the inability to hold a stable platform. • Review the database thresholds, resource and process responsibilities to identify and close known gaps. • Re-prioritisation to create capacity to focus on resolution of known issues. • Addressed Single Points of Failure with regards to connectivity. • Establishment of a consistent incident management policy and approach with clear procedures and work instructions that are to ensure timely response, and resolution of incidents with appropriate escalations where needed. • Introduction of appropriate and regular training for users to increase awareness of communication and escalation protocol and adoption of good incident management practices, including tool usage. • Introduction of timely processing exceptions and error resolution by Global NOC (GNOC) personnel which are expected to be followed by business units as part of their exception handling guidelines. • Embedding controls to enable the required data to be captured and maintained to support decision making throughout the incident process and solution design.
Outsourcing and Third Party management	Failure to onboard, manage, monitor and report on the service delivery of outsourced services/third parties in a robust and comprehensive manner which is compliant with regulatory requirements.	The Group is reliant on numerous outsourcing services providers (OSP's) and third parties for services that support our transactional processing, compliance, risk, customer operations, IT and other critical services. Furthermore, the Group relies on other internal service providers (intra-group outsourcing) to facilitate key services. During the prior year the Group adopted the new EBA guidelines on outsourcing and the following mitigations are currently in place: - A revised outsourcing framework, policy and governance committee has been established; - Ownership and accountability of managing the program and outsourced relationship has been embedded within the Group; - Key outsourcing agreements are being refreshed to ensure alignments to the regulatory guidelines; - Ongoing performance monitoring of outsourced serviced are in place; - Ongoing training and support are provided by the Group and relevant external advisors. We continue to evolve our capabilities in this area to maintain alignment with our strategic objectives.
Legal & compliance	Compliance with key licensing as well as ongoing and developing regulatory requirements.	The Group has made significant investments in risk and compliance and has continued to improve and increase its mitigating activities in relation to the risk of regulatory change.

		While the pace of regulatory change is increasing and there are a number of significant upcoming regulatory changes, the risk level is assessed as constant due to increased mitigating activities. • Dedicated legal, compliance and risk teams with a network of external advisors who maintain a constant review of the current and future legal and regulatory environment and potential impacts to the Group; • Regular review and enhancement of our market presence policy; • Strengthening the compliance control plan which continuously tests the Group's adherence to internal anti-money laundering (AML) procedures; • Enhancing regulatory training within the Group at all levels including more face-to-face training for staff in key positions with emphasis on AML and improved online training for all key personnel; • Providing dedicated management (including legal and compliance) to monitor and understand emerging regulatory requirements and lead implementation of appropriate strategies; and • Prompt implementation of regulatory changes to business systems and processes.
Legal & compliance	Compliance with privacy requirements and ability to identify and monitor specific privacy regulations	The General Data Protection Regulation (GDPR) has significantly increased the Group's data protection obligations. To ensure compliance with GDPR, the Group has undertaken a series of reviews in respect of: • Ensuring that the level of compliance with data privacy rules around marketing activity to Customers is robust following acquisitions and significant business change; • Performing due diligence of data controls in place at third-party providers (particularly data processors); and • Processes to manage cross-border data transfers. This process is to be formalised and embedded across the organisation. All Group companies have an approved embedded data privacy standards and data retention policy at the Group level, and a data retention policy across. Enhanced e-training on data privacy has been implemented Group wide.
Business model risk	Our focus on specialised industry verticals can increase our risks relative to other companies in our industry.	We believe our differentiated risk management, technology and compliance capabilities position us well to address challenges and complexity in providing payment solutions for specialised and high-risk industry verticals, including gambling, iGaming, digital trading, cryptocurrencies, nutraceuticals and multi-level marketing. However, this focus distinguishes us from industry peers and can increase risks inherent in our business and industry. Notably as the industry verticals we serve are extensively regulated and this regulation is evolving and subject to frequent change and uncertain interpretation. The risk resulting from our specialised focus can materialise quickly, which may result in increased volatility in our results of operations.
Business model risk	Payments related credit risk: Our products offering exposes us to the effects of consumer chargebacks as well as the risk of merchant or distributor insolvency.	The payment services we offer to merchants expose the Group to credit and other forms of potential loss. We are exposed to the effect of consumer chargebacks and merchant insolvency in our Integrated Processing business. Under the terms of certain agreements, we are liable for consumer chargebacks incurred by our merchants where the merchants are unable to meet liabilities arising as a result of those chargebacks. Chargebacks may arise as individual claims or as multiple claims relating to the same facts or circumstances. For example, the insolvency or cessation of a merchant doing business could cause numerous individual customers to bring claims at once which, either singly or in

		aggregate, could have a material adverse effect on our results. This risk is mitigated via our merchant onboarding and risk monitoring programmes and the reserves and other forms of loss protection we typically retain. In our Digital Wallet business, we offer our merchants a "no chargeback policy." A chargeback is the return of funds to a customer and in this context relates to a reversal of unauthorised charges to a customer's credit card, for example, as a result of fraud or identity theft. Under the "no chargeback policy" we agree to allow merchants who qualify under our vetting policy to retain all monies received from digital wallet holders, respectively, and undertake not to request reimbursement from such merchants in respect of chargebacks incurred. Our customer onboarding due diligence (KYC and AML) as well as our ongoing risk monitoring systems mitigate against chargebacks of this nature. In our e-Cash business, we distribute the vouchers via a global network of distribution partners, exposing the Group to counterparty credit risk should the distributor become insolvent prior to remitting funds. This risk arises as we are required to safeguard issued, unredeemed vouchers and ultimately settle funds to the end merchant on redemption of the voucher. Each distributor is subject to strict credit limits - each voucher is issued with respect to these limits via our integrated systems. Distributor balances are also monitored daily and receivable insurance is frequently utilised.
Business model risk	Our success depends on our relationships with banks, payment card networks, issuers and financial institutions.	The nature of our business requires us to enter into numerous commercial and contractual relationships with banks, card networks, issuers and financial institutions. We depend on these relationships to operate on a day-to-day basis. If we are unsuccessful in establishing, renegotiating or maintaining mutually beneficial relationships with these parties, our business may be harmed. For example we rely on the use of numerous bank accounts in the jurisdictions in which we operate for the efficient delivery of our services. A loss of any important banking relationship could have a material effect on our business and financial performance. We mitigate this risk through maintaining an extensive network of banking and payment partners (and thus operational redundancy and resilience). A dedicated banking relationship team is in place with Executive leadership as well as senior staff to manage ongoing and new relationships. If, for any reason, any banks, payment card schemes, issuers or financial institutions cease to supply us with the services we require to conduct our business, or the terms on which such services are provided were to become less favourable or be cancelled, or a contractual claim made against us, it could impact our ability to provide our online payment services, or the basis on which we are able to provide such services.
Tax	Compliance with and changes to applicable tax legislation.	The global nature of our business and our legal entities result in the Group being required to file corporate income tax and sales or value added tax returns in multiple jurisdictions. The foreign tax liabilities are determined, in part, by the amount of operating profit generated in these different jurisdictions. Our effective tax rate, earnings and operating cash flows could be adversely affected by changes in the mix of operating profits generated in countries with higher statutory tax rates. If statutory tax rates or tax bases were to increase or if changes in wider tax laws, regulations or interpretations were made that impact us directly, our effective tax rate, earnings and operating cash flows could be adversely impacted. There are a number of current and potential future tax related risks that the Group's finance and tax function continue to work to mitigate: The OECD 'Pillar' proposals on taxing the digitalisation of the economy (on jurisdictional allocation of taxing rights and on Base Erosion and Profit Shifting)

		could fundamentally alter the Group's tax footprint. We keep abreast of the changing environment and the potential impact these changes could have. Transfer pricing – the group submits a Country by Country report each year, detailing certain financial data across global territories. Whilst we appropriately benchmark, calculate and document our TP approach, global tax authorities may challenge the allocations. Tax audits – the Group, from time to time, receives compliance checks and other correspondence from tax authorities. We respond to these openly and fully, taking external professional advice where appropriate. Further, if HMRC or any other tax authority is successful in challenging our corporate income or sales related tax arrangements, we may be liable for additional tax and penalties and interest related thereto. Indirect taxes – the Group is a partially exempt business and has a complex indirect tax footprint. We review our position appropriately, seeking agreement from tax authorities where appropriate. We also monitor and comply with changes in requirements, such as digital filing requirements
Financial risk management	Liquidity risk: The Group may not have access to sufficient funds to manage operations. Further our substantial leverage could adversely affect our financial condition, our ability to raise additional capital to fund our operations, or our ability to operate our business.	The Group monitors both cash levels cash flow on a regular basis, including forecasting future cash flows. The Group's objective to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet the liabilities when they become due. In order to mitigate short term liquidity risk the Group also has a $225million RCF available, from which the Group has made draw downs and repayments throughout the year. The balance drawn on the RCF as at 31 December 2020 was nil. As of December 31, 2020, the total principal amount of our external borrowings was approximately $3,332m. Subject to the limits contained in the credit agreements that govern our credit facilities, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. All interest and mandatory debt repayments were satisfied during 2020. The Group's key debt covenant governing the facilities is financial and is monitored monthly. Paysafe's primary financial covenant is to maintain 1st lien leverage below 9.0x an EBITDA measure adjusted for certain items as stipulated in the Group's facilities agreement. Paysafe's leverage remains well below the covenant level.
Financial risk management	Interest rate risk: Borrowings incur variable interest rates based on market rates which could fluctuate significantly; Costs could increase reducing profitability and cash flows.	The Group actively manages interest rate risk through the use of interest rate swaps and caps. Interest rate swaps convert floating rates to fixed, and interest rate caps limit the potential impact of rising interest rates. More detail is provided within the financial statements.
Financial risk management	Foreign currency risk: The Group trades in a number of countries and currencies and could experience significant fluctuations in exchanges rates; this could adversely impact future cash flows and reported results.	The balance sheet exposure of each operation is regularly rebalanced to reduce the impact of foreign exchange fluctuations on reported results. The currency of the Group's borrowings is matched to the currencies expected to be generated from the Group's operations. Intercompany funding is typically undertaken in the functional currency of the entities or undertaken to ensure offsetting currency exposures. Paysafe's central treasury function monitor's the hedging and exposure in accordance with set policies and guidelines.
Financial risk management	Counterparty credit risk: The Group holds significant customer deposits funds associated with its e-money businesses. These are held in bank accounts and	The Group has established a counterparty risk policy that sets out, for example, the credit risk and concentration risk appetite of the Group in relation to both customer (and subject to safeguarding) and firm monies. Application of this policy is regularly monitored by the Safeguarding and Treasury Committee and

	deposits. Should one of these banks become insolvent, the Group would incur a financial and reputational loss.	the regulated entity subsidiary boards in addition to the daily monitoring of the credit ratings of counterparties and limits where funds are held. The nature of our business requires us to enter into numerous commercial and contractual relationships across jurisdictions with banks, card networks, issuers and financial institutions – not all of which maintain an 'investment grade' credit rating. Whilst we have credit exposure limits for all banks, we have much lower exposure limits for such non-investment grade counterparties – these are monitored and approved by the safeguarding and treasury committee (STC) and the regulated entity boards. See Note 28 for further details.
Crisis management and business continuity	Pandemic Response (COVID-19): The risk of not planning for, or having strategies to mitigate and respond to a global pandemic or significant country health threat that will prevent them to continue to provide the provision of its business services due to the unavailability of staff or Sovereign State Government directives to contain the threat.	The Group's Crisis Management Standard provides governance for management of the Group's crisis management and business continuity plans that will apply in the event of a crisis, (such as the COVID-19 event) or major incident affecting the Group's business operations. An emergency response and crisis management structure are in place which would come into play in an event of a crisis or major incident. The structure incorporates strategic, tactical and operational levels of activity. The Crisis Management Team (CMT) is the key decision-making team which provides strategic oversight and is responsible for formulating the tactics to achieve the strategic goals agreed with executive management. In support of the crisis management policy, the Group also has in place a business continuity management policy which aims to guide top-level management on how to manage the business continuity when one or more services are facing difficulty, disruption, reduction or cancellation due to an emergency or any financial, human resources or other constraint that may be placed on the services. The policy sets out the principles underlying the Group's commitment to assuring the continued availability of our products and services to our clients, partners and other stakeholders during any actual or threatened disruptive event. Following are some of the high-level controls in place to respond to a pandemic risk: 1. Pandemic playbook in operation with planned trigger points; drive tactical and strategic response decisions 2. Pandemic and HR management working groups in place. 3. Dedicated email box for queries or concerns in place. 4. Work from Home recovery strategies in place for critical functions and tested. 5. Mass notification tool in place and tested. 6. Employee Wellbeing Surveys issued to staff to assess remote working.

Section 172 Companies Act 2006

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the Group to not only demonstrate how the Board of Directors make decisions for the long-term success of the Group and its stakeholders, but also having regard to how the Board ensures the Group complies with the requirements of Section 172 of the Companies Act. The Group's reporting against the Wates Principles has been included in the Corporate Governance report.

Throughout 2020, the Board will continue to review and challenge how the Group can improve engagement with its employees and stakeholders.

Approval

This report was approved by the board of directors on 29th April 2021 and signed on its behalf by:

Anthony Greenway
Director

Corporate Governance report for the year ended 31 December 2020

For the year-ended 31 December 2020, under the Companies (Miscellaneous Reporting) Regulations 2018, the Group has applied the Wates *Corporate Governance Principles for Large Private Companies* (published by the Financial Reporting Council ("FRC") in December 2018 and available on the FRC website).

Paysafe Group Holdings II Limited (up until the date of the Merger, see below) was an indirect parent company of Paysafe Group Holdings Limited, the company at which the wider Paysafe Group Board of Directors sat. The main revenue generating and operating entities of the Paysafe Group were subsidiaries of Paysafe Group Holdings Limited and are subsidiaries of Paysafe Group Holdings II Limited. Therefore, the operating results of the consolidated group of Paysafe Group Holdings II Limited are largely identical to that of Paysafe Group Holdings Limited.

On the 30 March 2021, Paysafe Group Holdings Limited announced that it completed a merger with Foley Trasimene Acquisition Corp. II ("FTAC"), a special purpose acquisition company ("the Merger"). As a result of this merger, Paysafe Group Holdings Limited is no longer an indirect parent company of Paysafe Group Holdings II.

The key principles set out below discuss the wider board of the Paysafe Group until the date of the merger, which apply equally to Paysafe Group Holdings II Limited and its subsidiaries. Paysafe's key policies, procedures and codes are written and executed by the wider Paysafe board and applicable to all its subsidiaries, including Paysafe Group Holdings II Limited.

Principle 1: Purpose and leadership

Paysafe's vision is to become the world's leading specialized payments platform and is committed to achieving this with integrity and in the right way. This vision and strategy has been well communicated to all employees through a wide variety of communications channels including regular all employee town halls, newsletters, email communications, internal social media, videos, offsite summits and board meetings.

Paysafe's culture and values are an important part of how it delivers on a daily basis. The culture is built around Optimism, Collaboration, Inclusion, Success and Fun. These cultural attributes are underpinned by four values, designed by its employees, of Pioneering. Courageous, Open and Focused. These values are embedded into Paysafe's DNA through its recruitment, reward, recognition, development and performance management processes.

Given the importance of culture and doing business the right way, Paysafe regularly seeks internal feedback via ongoing pulse surveys to ensure continuous improvement and updated initiatives, something that was particularly critical to keep the company connected in 2020 during the pandemic. As well as the annual engagement survey, Paysafe also asks for input twice a year in a Manager Effectiveness survey, and on a monthly basis via a Wellbeing survey. The results of these surveys are read and considered by the executive leadership team, and others, and plans are put in place to improve in targeted areas with year on year tracking and ongoing reporting back to the business.

This strong commitment to culture and values is also embodied in the Paysafe Code. This Code sets out the rules and guidelines that everyone at Paysafe must follow and against which it holds its people accountable. The Code 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.

The Paysafe Code also includes requirements for always acting in the best interests of Paysafe and its stakeholders (including customers) and raising any concerns that people may have, either through Paysafe's management or a confidential and independent whistleblowing service. Directors and staff are required to disclose potential conflicts of interest which are monitored, and the annual certification overseen by a senior oversight committee. A member of the board has been appointed our Whistleblowing Champion to ensure that concerns can be raised at the highest level and that the board can support Paysafe's commitment that employees are able to speak up in good faith without any fear of retaliation.

Principle 2: Board composition

Paysafe Group Holdings II Limited was, up until the date of the Merger, owned primarily by funds of Blackstone and CVC Capital Partners ("CVC"). The Group's Board, up until the date of the Merger, was therefore composed of shareholder representatives, its Chief Executive Officer and three independent non-executive directors (one of which acts as Chairman of the Board). The roles of Chairman of the Board and Chief Executive Officer were not exercised by the same individual.

The duties of the Board up until the date of the Merger were executed partly through committees. The non-executive Directors attended and acted as chair to relevant committees as set out below in the Directors Responsibilities section so that they were able to challenge and influence a broad range of areas across the Group.

In addition to the committees referenced below, Paysafe has an established Executive Committee that provides the day to day leadership to the Group's core business functions. The Executive Committee is comprised of the Group's key management, including the Group's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, General Counsel and Chief Compliance, Chief Human Resources Officer, Chief Risk Officer, Chief Information Officer, Chief Marketing Officer, Chief of Staff and Divisional CEO's and CFO's.

Principle 3: Director Responsibilities

Until the date of the Merger, the Board was responsible for establishing and monitoring the implementation of Paysafe's strategy and oversight of performance, risk management and internal control. All executive directors along with all other staff completed an annual Compliance & Ethics declaration confirming that they have behaved in accordance with amongst others, the Paysafe Code and our Conflicts of Interest Policy.

As part of the Paysafe's internal system of control and third line of defence, the Board was supported in its work by an independent internal audit team which provides regular reports to the Board and its Committees as relevant.

To ensure sufficient focus is given to key areas of the Board's work, the Board delegated certain of its functions to committees – Risk Oversight Committee, Audit Committee, Remuneration and Nomination Committee. The Board received periodic training from the Group's compliance function as part of its continuing development and assurance.

To assist the directors in the performance of their duties, board papers and supporting information were provided in in a clear, accurate and timely manner so as to ensure that directors could understand what is expected from them.

Principle 4: Opportunity and Risk

The Group's strategy to create long term value and consideration of market opportunities are included within the Strategic Report.

Paysafe has in place a risk management framework that is aligned to BS ISO 31000: Risk Management Guidelines 2018 to ensure that the Board can understand and properly manage Paysafe's inherent risks. The framework provides for a continuous cycle of risk management activities to not only identify risks but also to facilitate better business decisions by ensuring that consideration of risk is built into all key strategic and business decision making processes.

Paysafe has in place a Group Risk Appetite statement setting out Paysafe's risk appetite against seven key categories of risk – strategic, information security management, data privacy, legal and compliance, financial, credit risk and operational. Regular risk evaluation takes place under the framework which is overseen and managed by the Risk Oversight Committee.

The Group operates a "three lines of defence" framework within the wider risk management governance structure and is documented through clear accessible policies and processes. A central part of this is that although the Board were ultimately responsible for risk management, every employee is expected to take the management of risk seriously. All Group staff are expected to display integrity and honesty and to exhibit technical and professional expertise. These values are reinforced by regular training in risk and compliance issues.

Further details on the Group's principal risks and uncertainties are disclosed within the Strategic Report.

Principle 5: Remuneration

The Remuneration Committee is responsible for all elements of the remuneration of the executive directors as well as making recommendations and monitoring the level and structure of remuneration for the senior management of Paysafe. The incentivisation and reward structures in place are designed to reinforce the Group's values and drive the required behaviour across Paysafe's businesses. The Group's executive bonus scheme measures executive performance against financial performance, individual performance (including alignment to the Group's values) and meeting personal objectives.

The remuneration policies for the wider workforce are monitored on an ongoing basis, with employee's remuneration benchmarked for their role, location and grade. All employees are subject to the Group's bonus scheme named Boost. Boost rewards employees based on a combination of both individual performance objectives and financial performance objectives appropriate for their role and business line.

In the Strategic Report, the Group has disclosed its gender diversity information. The Group has made significant strides in recent periods and continues to focus on gender diversity as a core objective of its diversity inclusion strategy. However, there is more work to be done on its diversity and inclusion agenda and the Group continue to work to ensure that the Group are an equal opportunities employer. This means that all Paysafe employees and any job applicants will receive equal treatment regardless of age, disability, gender identity, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation.

As noted above, the Group see this as a challenge for its sector as a whole and are working to help make it better as a core objective of the Group's Diversity and Inclusion strategy, with multiple initiatives including strengthening the pipeline of talented women through stronger recruitment practices; putting in place a coaching and mentoring programme for high potential female employees and membership of various support and networking groups. Paysafe has also signed the UK women in finance charter, and so committed to ensuring that women represent at least 30 percent of its senior management by 2023.

Corporate Governance report for the year ended 31 December 2020 (continued)

Principle 6: Stakeholder relationship and engagement

Central to the Group's success is the way the Group conduct itself with its key stakeholders – its customers, its employees, its regulators, the communities the Group work in and the partners and suppliers that the Group work with.

The Group's customers are central to Paysafe and the Group's strategy is built around customer loyalty. The Group strive to ensure that it treats customers fairly at all times, have produce development processes that are customer-centric, listen to customers to understand their experience of the Group's products and services and then act on that feedback. It is also important to the Group that its customers have all the information available to them that they need to make the best possible choices and that the Group always communicate with them in a way that is clear, fair and not misleading.

The Group's Corporate Social Responsibility programmes are important to the Group. To reflect the Group's commitment to them, all staff are given one day's paid leave each year to support these charitable and community projects.

Paysafe engages with its employees through multiple channels but most notably through the Group's Internal Communication forums as well as the Glint Engagement and Experience Survey. The Glint Engagement and Experience Survey asks employees to provide feedback on their levels of engagement and experience when they join, during their tenure (once per year) and also when they leave.

As a global company, the Group also recognises its responsibility to reducing its environmental impact. Although the nature of the Group's business means that it has limited environmental footprint, the Group has identified greenhouse gas reduction as the key area of focus. As part of this commitment, Paysafe was certified as a Carbon Neutral Company in 2020. The Group continues to ensure it can accurately and independently measure its carbon footprint and identify recommendations as to how it can reduce carbon emissions.

Finally, the Group ensures that its website (www.paysafe.com), intranet and various social media channels contain up to date information on its products, services and news.

Directors' report for the year ended 31 December 2020

Director's Report

The Directors present their report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2020.

Results and dividends

The Group's loss for the year attributable to the owners of the Group amounted to $520.4m (2019: $480.0m). The directors have not recommended the payment of a dividend.

Directors

The directors who served during the year and up to the date of signing the financial statements are:

Elliot Wiseman
Paul Brooking (resigned 22 May 2020)
Anthony Greenway (appointed 22 May 2020)

Research and development

The Group's research and development activities are disclosed within the Strategic Report (see Business Review section). Disclosed within Note 14 of the Financial Statements is the expenditure of research and development activities in the period.

Post balance sheet events

Contingent consideration receivable

On 29 March 2021, a series of transactions were completed for the purpose of transferring to Pi Jersey Topco Limited the right to receive the payments under the contingent consideration receivable. As part of this, the Group entered into an interest-bearing loan note with Pi Jersey Holdco 1.5 Limited with principal amount of $158,519,000 and payable in July 2024. As a result, the Group no longer holds the contingent consideration receivable.

Merger with Foley Trasimene Acquisition Corp. II ("FTAC")

On 30 March 2021, management announced the completion of a merger with FTAC, a special purpose acquisition company (the "Transaction"). In conjunction with the Transaction, Paysafe Group Holdings Limited (direct subsidiary of Pi Jersey Topco Limited and previously an indirect parent of the Company) transferred the Paysafe Group to Paysafe Limited in exchange for cash and share consideration. Paysafe Limited then completed the merger with the FTAC. As a result of this Transaction, the Company's ultimate parent company is now Paysafe Limited instead of Pi Jersey Topco Limited.

As part of the Transaction, the Group repaid $1,163 million under its credit facilities, fully repaying its Second Lien Term Loan and partially repaying its First Lien Term Loan, which now consists of a $1,081 million USD Facility and a €839 million EUR Facility. All other terms remain unchanged, including interest rates and maturity. The repayment was funded via interest-bearing loans granted by FTAC to the Group, maturing in December 2024.

Further, the Transaction qualified as an Exit Event under the share-based payment Plan, which resulted in the full vesting of all outstanding A ordinary shares and B ordinary shares that had been granted to the Group's employees. As a result, a share-based payment expense of $22m is recorded at the Transaction date.

International Card Services LLC acquisition

In March 2021, the Group completed the acquisition of International Card Services, LLC, for cash consideration of $23,505,000 with an additional contingent earnout to be paid in future periods based on achieving earnings targets. The preliminary estimate of the total expected consideration including earnouts is $28,577,000. The acquisition was accounted for as a business combination.

Going concern

These consolidated financial statements have been prepared on the going concern basis, as the Board of Directors have a reasonable expectation that the Group and the Company have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cashflows and capital resources.

Through FY20 the Group has remained highly cash generative with net cashflows from operating activities totalling $573,801,000 for the year (2019: $468,068,000) and total cash as at 31 December 2020 of $387,616,000 (2019: $234,617,000). In addition, the Group operated well within its financial covenants associated with its external debt facilities during the year. The Group's key debt covenant governing the facilities is financial and is monitored monthly - the primary financial covenant, triggered when the revolving credit facility is more than 40% drawn, is to maintain First Lien leverage below 9.0x an adjusted EBITDA measure, with adjustment permitted for example for both non-recurring or one-off expenditures or losses incurred and for the inclusion of future, or of the annualization of cost benefits. The Group's leverage ratio ends the year well below the covenant level. In addition, the Group had $225m undrawn on its revolving credit facility at the balance sheet date.

Directors' report for the year ended 31 December 2020 (continued)

As noted in the Strategic Report, the coronavirus outbreak (COVID-19) has occurred and developed such that on 11 March 2020, the World Health Organisation characterised the outbreak as a pandemic. There is continued uncertainty as to the length and extent of prolonged social distancing measures and with that, the reduction in global economic activity. Despite this, due to the Group's high levels of available liquidity, demonstrated performance since the COVID-19 outbreak, the wide range of potential cost mitigation actions available to the Group and the terms of the external debt facilities, the Group's directors have concluded that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Group is also expected to operate well within its banking covenants and to have sufficient cash to meet its ongoing obligations for a period of at least 12 months from the date of signing the financial statements.

Information included in the strategic report

The following information required to be disclosed in the Directors' report is included in the Strategic Report:

- Financial risk management objectives and policies (see Note 28 also for additional comments)
- Future developments of the business
- Policy regarding the employment of disabled persons
- Policy regarding employee involvement
- Employee engagement
- Energy and carbon report

Directors' indemnities

The Group and 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.

Auditors

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

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

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Approval

This report was approved by the board of directors on 29th April 2021 and signed on its behalf by:

Anthony Greenway
Director

Directors' responsibilities statement for the year ended 31 December 2020

Directors' responsibilities statement

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 are also 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 responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approval

This report was approved by the board of directors on 29th April 2021 and signed on its behalf by:

Anthony Greenway
Director

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Auditor's report for the year ended 31 December 2020

Independent auditor's report to the members of Paysafe Group Holdings II Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Paysafe Group Holdings II Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the IASB
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 32.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 group and the parent 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.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- linkage to business model and medium-term risks
- assumptions used in the forecasts
- amount of headroom in the forecasts with reference to group's future obligations
- sensitivity analysis
- testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management

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 group's and parent 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.

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 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 group's and the parent 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 group or the parent 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 group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, and audit committee, about their own identification and assessment of the risks of irregularities.

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

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

We discussed among the audit engagement team (including significant component audit teams and relevant internal specialists such as tax, valuations, financial instruments, IT, fraud and 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, internal audit and in-house/external legal counsel 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, reviewing internal audit reports, reviewing correspondence with HMRC.

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 group and of the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Stephen Williams CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, UK
29th April 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Revenue		
Integrated Processing fees	713,312	730,122
Digital Wallets fees	386,222	415,947
eCash Solutions fees	319,446	264,584
Investment income	4,044	8,726
Total revenue (Note 6)	**1,423,024**	**1,419,379**
Cost of sales		
Integrated Processing expenses	310,159	300,704
Digital Wallets expenses	76,848	82,564
eCash Solutions expenses	147,816	125,467
Total cost of sales	**534,823**	**508,735**
Gross profit	**888,201**	**910,644**
Operating expenses (Note 7)	743,371	732,453
Net impairment losses on financial assets (Note 28)	54,217	60,420
Profit from operating activities (Note 7)	**90,613**	**117,771**
Impairment loss on intangible assets (Note 14)	116,126	122,708
Finance costs (Note 10)	564,037	525,339
Finance income (Note 11)	(11,105)	(28,524)
Loss for the year before tax	**(578,445)**	**(501,752)**
Taxation benefit (Note 12)	(58,025)	(21,768)
Loss for the year before tax	**(520,420)**	**(479,984)**
Loss for the year is attributable to:		
Owners of the Group	(520,421)	-
Non-controlling interests	1	-
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation loss/(gain) on foreign operations, net of income tax	564	(2,763)
Total comprehensive loss for the year	**(520,984)**	**(477,221)**
Total comprehensive loss for the year is attributable to:		
Owners of the Group	(520,985)	-
Non-controlling interests	1	-

Accompanying notes, on pages 33 to 73, form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Assets		
Non-current assets		
Goodwill (Note 13)	3,476,785	3,432,324
Intangible assets (Note 14)	1,503,945	1,771,493
Property, plant and equipment (Note 15)	18,691	28,149
Deferred tax assets (Note 12)	187,117	128,460
Contingent consideration receivable (Note 18)	125,107	113,859
Right of use assets (Note 27)	39,070	34,909
Non-current other receivables (Note 16)	24,293	18,569
Total non-current assets	**5,375,008**	**5,527,763**
Current assets		
Trade receivables (Note 16)	117,410	117,521
Other receivables and prepaid expenses (Note 16)	74,223	75,475
Settlement receivables (Note 17)	223,083	250,453
Contingent consideration receivable (Note 18)	26,668	50,170
Restricted cash in respect to customer accounts	1,376,236	1,147,744
Cash and cash equivalents	387,616	234,617
Total current assets	**2,205,236**	**1,875,980**
Total assets	**7,580,244**	**7,403,743**
Shareholders' equity and liabilities		
Shareholders' equity		
Share capital (Note 23)	0	0
Capital contribution (Note 26)	50,108	23,817
Translation reserve	(2,314)	(1,750)
Retained losses	(1,307,367)	(786,946)
Total shareholders' equity	**(1,259,573)**	**(764,879)**
Non-controlling interest	11,157	-
Total equity	**(1,248,416)**	**(1,529,758)**
Liabilities		
Non-current liabilities		
Loans and borrowings (Note 19)	6,634,966	6,234,762
Trade and other payables	968	-
Deferred tax liability (Note 12)	292,240	288,710
Deferred and contingent consideration payable (Note 21)	3,743	4,798
Lease liabilities (Note 27)	34,210	29,819
Derivative financial liability (Note 28)	47,547	27,467
Total non-current liabilities	**7,013,674**	**6,585,556**

Consolidated Statement of Financial Position (continued)

As at 31 December 2020

Current liabilities		
Loans and borrowings (Note 19)	15,636	15,712
Derivative financial liability (Note 28)	2,651	-
Deferred and contingent consideration payable (Note 21)	5,820	6,651
Tax liabilities (Note 12)	8,161	1,036
Funds payable and amounts due to customers	1,552,187	1,328,791
Trade and other payables (Note 20)	182,936	173,031
Provisions (Note 22)	38,683	49,287
Lease liabilities (Note 27)	8,912	8,558
Total current liabilities	**1,814,986**	**1,583,066**
Total liabilities	**8,828,660**	**8,168,622**
Total shareholders' equity and liabilities	**7,580,244**	**7,403,743**

Accompanying notes, on pages 33 to 73, form part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on .29th April 2021...and signed on its behalf by:

Anthony Greenway
Director

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Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital - ordinary shares $'000	Capital contribution $'000	Translation reserve $'000	Total Shareholders' equity $'000	Non-controlling interest	Total $'000
Balance as at 31 December 2018	**0**	**7,113**	**(4,513)**	**(306,962)**	**-**	**(304,362)**
Loss for the year	-	-	-	(479,984)	-	(479,984)
Other comprehensive income	-	-	2,763	-	-	2,763
Total comprehensive loss	**-**	**-**	**2,763**	**(479,984)**	**-**	**(477,221)**
Share based payment expense (Note 26)	-	16,704	-	-	-	16,704
Balance as at 31 December 2019	**0**	**23,817**	**(1,750)**	**(786,946)**	**-**	**(764,879)**
Loss for the year	-	-	-	(520,421)	1	(520,420)
Other comprehensive loss	-	-	(564)	-	-	(564)
Total comprehensive loss	**-**	**-**	**(564)**	**(520,421)**	**1**	**(520,984)**
Contributions from non-controlling interest holders	-	-	-	-	11,156	**11,156**
Share based payment expense (Note 26)	-	26,291	-	-	-	26,291
Balance as at 31 December 2020	**0**	**50,108**	**(2,314)**	**(1,307,367)**	**11,157**	**(1,248,416)**

Accompanying notes, on pages 33 to 73, form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	For year ended 31 December 2020 $'000	For year ended 31 December 2019 $'000
Cash flows from operating activities		
Loss for the year after tax	**(520,420)**	**(479,984)**
Adjustments for non-cash items:		
Depreciation and amortisation (Note 7)	283,707	289,984
Foreign exchange (gains)/ losses	(5,992)	197
Share based payment expense (Note 26)	26,291	16,704
Taxation (Note 12)	(58,025)	(21,768)
Impairment loss on intangible assets (Note 14)	116,126	122,708
Net impairment loss on financial assets (Note 28)	54,217	59,404
Other gains/losses (Note 7)	5,943	-
Finance costs (Note 10)	564,037	525,339
Finance income (Note 11)	(11,105)	(28,524)
Gain on disposal of subsidiary (Note 25)	(13,137)	(4,828)
Loss on disposal of assets	416	51
Cash flows from operations before movements in working capital	**442,058**	**479,283**
Increase in trade receivables	(46,442)	(30,956)
Decrease/(increase) in other receivables and prepaid expenses	18,171	(2,186)
Decrease/(increase) in settlement receivables	37,640	(44,081)
Increase in funds payable and amounts due to customers	135,037	85,067
(Decrease)/increase in trade and other payables	(13,637)	12,868
Increase/(decrease) in provisions	1,767	(7,430)
Cash flows from operations after movements in working capital	**574,594**	**492,565**
Taxes paid	(793)	(24,497)
Net cash flows from operating activities	**573,801**	**468,068**
Cash flows from investing activities		
Purchase of property, plant & equipment (Note 15)	(5,386)	(9,657)
Purchase of intangible assets (Note 14)	(81,533)	(152,184)
Net cash outflow on acquisition of subsidiaries (Note 24)	(9,180)	-
Contingent consideration paid (Note 21)	(5,689)	(6,037)
Cash disposed on disposal of subsidiary (Note 25)	-	(454)
Net cash inflow on disposal of subsidiaries (Note 25)	44,877	-
Net cash flows used in investing activities	**(56,911)**	**(168,332)**

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2020

Cash flows from financing activities		
Lease payments (Note 27)	(10,318)	(10,842)
Payments under hedging instruments	(3,907)	(6,662)
Proceeds from loans and borrowings (Note 19)	270,050	189,802
Repayment of loans and borrowings (Note 19)	(361,560)	(128,789)
Net proceeds and repayments of line of credit (Note 19)	25,637	24,363
Interest paid on loans and borrowings	(154,373)	(167,458)
Net cash flows used in financing activities	**(234,471)**	**(99,586)**
Net change in cash, cash equivalents and restricted cash during the year	**282,419**	**200,150**
Effect of foreign exchange rate changes	99,072	(15,756)
Cash, cash equivalents and restricted cash, beginning of year	1,382,361	1,197,967
Cash, cash equivalents and restricted cash, end of year	**1,763,852**	**1,382,361**
The below reconciles cash, cash equivalents as reported on the Consolidated Statement of Financial Statement to the total shown in the Consolidated Statement of Cash flows		
Cash and cash equivalents	387,616	234,617
Restricted cash in respect to customer accounts	1,376,236	1,147,744
Total cash, cash equivalents and restricted cash, end of year	**1,763,852**	**1,382,361**

Accompanying notes, on pages 33 to 73, form part of these consolidated financial statements.

Company Statement of Financial Position

As at 31 December 2020

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Assets		
Non-current assets		
Non-current other receivables (Note 16)	3,388,212	3,056,342
Total non-current assets	**3,388,212**	**3,056,342**
Current assets		
Other receivables	175	-
Total current assets	**175**	**-**
Total assets	**3,388,387**	**3,056,342**
Shareholders' equity and liabilities		
Shareholders' equity		
Share capital (Note 23)	0	0
Retained losses	(2,014)	(187)
Total shareholders' equity	**(2,014)**	**(187)**
Liabilities		
Non-current liabilities		
Loans and borrowings (Note 19)	3,390,401	3,056,342
Total non-current liabilities	**3,390,401**	**3,056,342**
Current liabilities		
Trade and other payables (Note 20)	-	187
Total current liabilities	**-**	**187**
Total liabilities	**3,390,401**	**3,056,529**
Total shareholders' equity and liabilities	**3,388,387**	**3,056,342**

Accompanying notes, on pages 33 to 73, form part of these consolidated financial statements.

The Company reported a loss for the year ended 31 December 2020 of $1,827,000 (2019: $187,000).

The financial statements of Paysafe Group Holdings II Limited (company number: 10880277) were approved and authorised for issue by the Board of directors on 29th April 2021 and signed on its behalf by:

Anthony Greenway
Director

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Company Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital - ordinary shares	Retained losses	Total
	$'000	$'000	$'000
Balance as at 31 December 2018	**0**	**-**	**-**
Loss for the year	-	(187)	(187)
Total comprehensive loss	**0**	**(187)**	**(187)**
Balance as at 31 December 2019	**0**	**(187)**	**(187)**
Loss for the year	-	(1,827)	(1,827)
Total comprehensive loss	**0**	**(1,827)**	**(1,827)**
Balance as at 31 December 2020	**0**	**(2,014)**	**(2,014)**

Accompanying notes, on pages 33 to 73, form part of these consolidated financial statements.

1. General information

Paysafe Group Holdings II Limited (the "Company") is a private company limited by shares and is incorporated in England and Wales. The Company is a wholly owned subsidiary of Pi Jersey Holdco 1.5 Limited.

The registered office of the Company is Floor 27, Canada Square, London, England, E14 5LQ.

The principal activities of the Company and its subsidiaries (together the "Group") are as described in the Strategic Report.

2. Nature of operations

The Group provides payment processing solutions through three primary lines of business: Integrated Processing, Digital Wallets and eCash Solutions. The Integrated Processing business is focused on card not present and card present solutions for small to medium size business merchants. The Digital Wallets business provides wallet based online payment solutions through the Skrill and NETELLER brands; and the eCash Solutions business enables consumers to use cash to facilitate online purchases through the paysafecard prepaid vouchers. With over 20 years of online payment experience, the Group connects businesses and consumers across 200 payment types in over 40 currencies around the world. The Group provides these payment solutions in the following principal verticals: e-commerce, on-line gambling and on-line gaming; the principal markets being in North America and Europe.

3. Significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with the Companies Act 2006.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities, which have been measured at fair value at the end of each year as described in Note 28.

These consolidated financial statements are presented in United States (US) dollars, which is the functional currency of the Company. All information is given to the nearest thousands of US dollars, except per share data.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payment, financial instruments, capital management, presentation of cash-flow statement, presentation of comprehensive income statement and certain related party transactions.

The consolidated financial statements were authorised for issue by the Board of Directors on 29th April 2021

Statement of going concern

These consolidated financial statements have been prepared on the going concern basis, as the Board of Directors have a reasonable expectation that the Group and the Company have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cashflows and capital resources.

Through FY20 the Group has remained highly cash generative with net cashflows from operating activities totalling $573,801,000 for the year (2019: $468,068,000) and cash as at 31 December 2020 of $387,616,000 (2019: $234,617,000). In addition, the Group operated well within its financial covenants associated with its external debt facilities during the year. The Group's key debt covenant governing the facilities is financial and is monitored monthly - the primary financial covenant, triggered when the revolving credit facility is more than 40% drawn, is to maintain First Lien leverage below 9.0x an EBITDA measure adjusted for certain items as stipulated in the Group's facility agreement. The Group's leverage ratio ends the year well below the covenant level.

In March 2020, an outbreak of a novel strain of the coronavirus (referred to as COVID-19) occurred and developed such that on 11 March 2020, the World Health Organization characterized the outbreak as a pandemic.

On 17 March 2020, as a precautionary measure in order to increase the cash position and preserve financial flexibility in light of uncertainty in the global markets resulting from the COVID-19 pandemic, the Group borrowed $216m under the revolving credit facility. The Group subsequently repaid all outstanding borrowings under the revolving credit facility during the period between 17 August 2020 and 13 October 2020.

As a result of the COVID-19 pandemic, the Group has experienced slowed growth or decline in new demand for its products and services and lower demand from its existing merchants, which has contributed, in part, to intangible impairments of $116,126,000 recognized during the year ended 31 December 2020 (see Note 14), in addition to an increase in credit losses. Credit losses recognized during the same period were $54,217,000 (see Note 28). However, an estimate of the full extent to which COVID-19 has impacted the Group's financial results cannot be reasonably made.

3. Significant accounting policies (continued)

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

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

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

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

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between the fair value of the consideration received and the carrying amount of the assets (including goodwill) less liabilities of the subsidiary on the date of disposal.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the noncontrolling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Foreign exchange
The individual financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in US dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of comprehensive income for the year.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in US dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

3. Significant accounting policies (continued)

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets and liabilities assumed. When the consideration transferred by the Group in a business combination include assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the Group performs impairment tests at least annually or whenever events or changes in circumstances indicate that the carrying values may not be recoverable. The most recent annual impairment test was completed as of 1 October 2020.

For purposes of assessing impairment, assets that cannot be tested individually are grouped together into the smallest group of assets for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Subject to an operating segment ceiling test, the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amounts. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. For the current year, the recoverable amount of the CGUs reviewed for impairment was determined based on fair value less costs of disposal calculations, which require the use of assumptions from a market participant's perspective. In assessing the fair value less costs of disposal, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in the consolidated statement of comprehensive income under "Impairment loss on intangible assets". Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised 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, but 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 amortisation, if no impairment loss had been recognised.

Leases
The Group acts as a lessee. It assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. Significant accounting policies (continued)

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. They comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient for the data centre leases.

Research and development
Research expenditure is recorded in the consolidated statement of comprehensive income in the year in which it is incurred.

Development expenditure is recorded in the same way unless management is satisfied as to the technical, commercial and financial viability of the individual projects generating future economic benefits, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. In this situation, the expenditure is capitalised at cost, less a provision for any impairment in value, and is amortised on the commencement of use over the period in which benefits are expected to be received by the Group. The expenditure capitalised includes the cost of materials and direct labour that are directly attributable to preparing the asset for its intended use.

Employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pensions
The Group operates a defined contribution plan for its employees. Payments to defined contribution plans are recognised as an expense when employees have rendered the service entitling them to the contributions.

Cost of sales
Cost of sales primarily relate to fees incurred by the Group in the processing and settlement of transactions.

Integrated Processing
Cost of sales consists primarily of merchant residual payments to the network of ISO's (independent sales organizations) and other fees incurred by the Group in the processing of transactions. Cost of sales does not include fees charged by the card issuing financial institutions and payment networks in the integrated processing business, which are presented within revenue (see Note 6).

Digital Wallets:
Cost of sales is primarily composed of the costs the Group incurs to accept a customer's funding source of payment and subsequent withdrawals from the wallet. These costs include fees paid to payment processors and other financial institutions in order to draw funds from a customer's credit or debit card, bank account, or other funding source they have stored in their digital wallet.

eCash Solutions:
Cost of sales is primarily comprised of commissions paid to distribution partners.

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

Restricted cash in respect of customer accounts
The Group's regulatory requirements require customer funds that have been received either in exchange for electronic money ("e-money") issued or within the transaction settlement cycle to merchants to be safeguarded.

Depending on the underlying regulations, the Group may satisfy these safeguarding requirements by either placing qualifying liquid assets in a segregated bank account, by insuring the funds with an authorised insurer or by obtaining guarantees from authorised credit institution.

The Group's safeguarding requirement that is met by placing qualifying liquid assets into segregated bank accounts are presented as *Restricted cash in respect of customer accounts* in the Group's Consolidated Statement of Financial Position.

Settlement receivables
Settlement receivables include balances arising from timing differences in the Group's settlement process between the cash settlement of a transaction and the recognition of the associated liability (for example, liabilities to customers and merchant). These balances mainly arise in the Digital Wallets business. When customers fund their digital wallet account using their bank account, or a credit or debit card, there is a clearing period before the cash is received or settled. This period is usually within 5 business days.

3. Significant accounting policies (continued)

Settlement receivables also include receivables from distribution partners within the eCash Solutions business. These receivables represent amounts collected by the distribution partners in exchange for the issuance of an eCash voucher, prior to settlement to the Group.

Funds payable and amounts due to customers
The Group 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 Group 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 *Funds payable and amounts due to customers* in the Group's Consolidated Statement of Financial Position.

Financial Instruments
The Group classifies its financial assets at either fair value through profit of loss or as at amortised cost.

Financial instruments classified as fair value through profit or loss are measured at fair value with changes in fair value recognised in the Consolidated Statement of Comprehensive Income. These financial instruments include contingent consideration receivable, contingent consideration payable, and derivative financial assets and liabilities.

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently measured at amortised cost using the effective interest rate method, less expected credit loss allowances as stipulated in IFRS 9. Financial assets at amortised cost include cash and cash equivalents, restricted cash in respect to customer accounts, trade receivables, other receivables and settlement receivables.

Financial liabilities that are not measured at fair value through profit or loss are classified as at amortised cost. Financial liabilities designated as at 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 loans and borrowings, trade and other payables, and funds payable and amounts due to customers.

Finance costs are charged to the Consolidated Statement of Comprehensive Income using the effective interest rate method.

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

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

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

Equity
Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Capital contribution reserve represents the share-based payment charge pushed down from Pi Jersey TopCo Limited (see Note 26).
- Retained earnings represents retained profits.
- Translation reserve represents exchange differences on translation of foreign subsidiaries recognised in other comprehensive income.

Parent company
The financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Accounting policies included elsewhere in the financial statements
The following accounting policies are included within the relevant note to the financial statements:

- Revenue recognition (Note 6)
- Taxation, including deferred tax (Note 12)
- Goodwill (Note 13)
- Intangible assets (Note 14)
- Property, plant and equipment (Note 15)
- Trade receivables (Note 16)
- Share based payments (Note 26)
- Investments in subsidiaries (Note 30)

4. *Adoption of new and revised Standards*

New and amended IFRS Standards that are effective for the current period

Impact of the initial application of COVID-19-Related Rent Concessions Amendment to IFRS 16
In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:
a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

The amendment shall be applied from 1 June 2020, early application is permitted. In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

Impact on accounting for changes in lease payments applying the exemption
The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B, and has not restated prior period figures.

The Group has benefited from a 3 month waiver of lease payments on storage facilities in Canada. The waiver of lease payments of CAD 3,066 has been accounted for as a negative variable lease payment in profit or loss. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9:3.3.1.

The Group has benefited from a 3 month break of lease obligations on office space in Sofia which resulted in cash savings of EUR 32,659. During the break the Group had no right to use the asset and therefore this was accounted for as a disposal. The Group derecognised the right of use asset and lease liabilities relating to this lease agreement at the commencement of the break period and once the break has ceased, the remainder of the lease will be recognised as an addition to right of use asset and lease liability.

Other amendments to accounting standards effective for periods beginning on or after 1 January 2020
In the current period, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3, *Definition of a business*
- Amendments to IAS 1 and IAS 8, *Definition of material*
- Amendments to IFRS 9, IAS 29 and IFRS 7, *Interest Rate Benchmark Reform*

Future changes to accounting standards
There are no new accounting standards, amendments or interpretations, that are not yet effective expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group's financial statements requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, contingencies and the accompanying disclosures at the date of the Group's consolidated financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimated. By their nature, these estimates and judgements are subject to estimation uncertainty and the effect on the Group's financial statements of changes in estimates in future periods could be significant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical accounting judgements
The following are the critical judgements, apart from those involving estimates (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition
The Group has made a number of critical accounting judgements relating to revenue recognition. These are disclosed in Note 6.

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Assessment of claims and potential liabilities

The Group is subject to claims and potential liabilities in the normal course of business. These claims require management judgement in the assessment of the potential outcome and the impact on the Group's assets and liabilities as well with regards to the required disclosures for contingent liabilities. The actual outcome of these claims or liabilities could materially differ to management judgements. The contingent liabilities of the Group are disclosed in Note 22 to these financial statements.

Allocation of the purchase price paid for acquired businesses

The allocation of the purchase price paid for acquired businesses to the identified acquired intangible assets is performed using valuation techniques that require management to estimate, for example, useful economic lives, cash flows associated with the assets, and asset specific discount rates. The key purchase price allocation processes performed in the current period are disclosed in Note 24 to the financial statements.

Critical accounting judgements and key sources of estimation included elsewhere in the financial statements

The following are included within the relevant note to the financial statements:

- Revenue from contracts with customers (Note 6)
- Impairment testing of long-lived assets:
  - Goodwill (Note 13)
  - Intangible assets (Note 14)
- Revision of useful lives of intangible assets (Note 14)
- Contingent consideration receivable (Note 18)
- Credit losses (Note 28)
- Taxation (Note 12)
- Share based payments (Note 26)

There are no critical accounting judgements or key sources of estimation uncertainty for the Company.

6. Revenue from contracts with customers

The Group provides payment solutions through three primary lines of business; Integrated Processing, Digital Wallets and eCash Solutions. The Integrated Processing business revenue stream is earned by charging merchants processing fees for facilitating payment processing transactions. The Digital Wallets revenue streams are almost entirely derived from charging merchants' fees for allowing payments on their platforms using Paysafe's products or from revenues for charging customers on a transactional basis for using the Group's digital wallets offering. Similarly, in the eCash Solutions business all revenue streams are earned either from charging merchants' fees for accepting eCash Solutions services or from transaction fees from customers using the services. As a result of these concentrations, the Group does not disaggregate revenue below this level.

For each primary source of revenue under these business lines, the Group's main performance obligation is to stand ready to provide electronic payment services to merchants and consumers. Some of the Group's contracts with customers include promises to transfer multiple goods and services. The primary goods offered by the Group are point of sale terminals that are offered in the Integrated Processing business.

The Group recognises revenue net of taxes collected from customers. These taxes are subsequently remitted to governmental authorities.

Contracts with customers have different durations depending on the business line and whether the contracts are with consumers or merchants. The Group's primary consumer facing revenue streams are within the Digital Wallets and eCash Solutions business lines. In these businesses the consumer facing contracts are online terms and conditions that the consumers agree on as terms of business; these are typically open ended and can be terminated without penalty by either party. Therefore, contracts in these business lines are essentially defined at the transaction level and there is no commitment to provide further services beyond the services already provided. Merchant contracts in the Digital Wallets and eCash Solutions businesses are formal written contractual agreements with merchants who accept payment solutions on their platforms. These contracts are longer-term relationships structured as open-ended contracts and are typically cancellable by either party with 30-60-day written notice.

The Group does not contract directly with consumers within the Integrated Processing business; as such, contracts in this business line are all written contractual agreements primarily with merchants, primary sponsor banks and processing partners. Contracts in this business line are primarily in two main categories; firstly, with sponsor banks and processing partners, which are typically long-term contractual relationships with durations of 5 years but continuing in effect with automatic renewals of a year or longer. These agreements usually have termination clauses requiring written notice and 90-180-day notice periods. The second category is contracts with merchants. The contracts with merchants are tri-party agreements, usually between the Group, the merchants and sponsor banks with durations of 3 years followed by annual auto-renewals at the end of the terms. Termination clauses generally require 30 days written notice. While the duration of contacts may differ, the primary source of revenue is consistent across segments and consumer base.

6. Revenue from contracts with customers (continued)

Critical accounting judgements applicable to revenue from contracts with customers
An area of significant judgement for the Group is the determination of the principal agent consideration. For the Group's Integrated Processing business, the Group has concluded that its promise to customers to provide payment services is distinct from the services provided by the card issuing financial institutions and payment networks in connection with payment transactions. The Group does not have the ability to direct the use of and obtain substantially all the benefits from the services provided by the card issuing financial institutions and payment networks before those services are transferred to the customer. As a result, the Group presents revenue for its Integrated Processing business net of the interchange fees charged by the card issuing financial institutions and the fees charged by the payment networks. Fees presented within revenue totalled $1,081.1 million for the year ended 31 December 2020 (2019: $1,114.5 million).

Another area of significant judgement involves determining whether goods and services are considered distinct performance obligations that should be accounted for separately, or together as one performance obligation. This includes determining whether distinct services are part of a series of distinct services that are substantially the same. The Group has determined that the primary services offered to its customers comprise a series of distinct performance obligations, that are substantially similar with the same pattern of transfer. Hence, these services are considered a single performance obligation. The Group also concluded that the goods offered in its contracts, comprising primarily of point of sale terminals, were not material individually or in the aggregate to the contact and no allocation of consideration was made to those goods. The Group recognises revenue as it satisfies a performance obligation by transferring control over the service to a customer for which the timing and quantity of transactions to be processed is not determinable at the inception of the contract.

The Group's promise to stand ready to provide electronic payment services is not based on a specified number of transactions but rather is a promise to process all the transactions needed each day. As such the nature of the promise is that of a series of distinct services that are substantially the same and have the same pattern of transfer to the customer over time. Accordingly, the promise to stand ready is accounted for as a single-series performance obligation for which the measure of progress is time.

The majority of the Group's payment services are priced as a percentage of transaction value or a specified fee per transaction. The Group also charges other fixed fees based on specific services that may be unrelated to the number of transactions or transaction value. Given the nature of the promise and that the underlying transaction fees are based on unknown quantities of transactions or outcomes of services to be performed over the contract term, the total consideration for each primary source of revenue is determined to be variable. The Group allocates the variable fees to the individual day in which the services were wholly performed, and for which it has the contractual right to bill those wholly performed services under the contract. Therefore, revenue for our payment service is measured daily based on the services that are performed on that day.

Integrated Processing
Integrated Processing services are primarily derived from processing credit and debit card transactions for merchants. Revenue is earned by charging merchants either as a percentage-based fee of the payment volumes processed or as a charge per transaction, pursuant to the respective merchant agreements, as well as certain fixed charges for various products and services on a monthly or annual basis. The fee revenue can include charges to process transactions, foreign exchange services for settling foreign currency transactions, gateway services, fraud and risk management services and charges for accepting alternative payments.

Digital Wallets
Digital wallets services are primarily offered through the Skrill and NETELLER products. Consumer 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 consumer and merchant agreements, as well as account utilisation fees and fees from inter-currency transactions.

eCash Solutions
eCash solutions are offered through the paysafecard prepaid payment vouchers, which are sold directly to customers through third party distributors, and my paysafecard online payment accounts. Revenue is earned from fees charged to merchants accepting payments made using the paysafecard product as well as fees charged to consumers. The fee revenue is recognised net of rebates and discounts.

The third-party distributors are a network of sales points from which customers may purchase prepaid vouchers. The Group pays a sales commission to its distributors for this service, which is presented as part of cost of sales.

Other
Interest income is earned on the funds held on behalf of clients and is accrued on a monthly basis, by reference to the principal outstanding and at the effective interest rate applicable. While this is not revenue earned from contracts with customers, such interest income is presented in revenue as it is earned on funds that are held as part of the Group's revenue generating activities.

Disaggregation of revenue from contracts with customers
The Group derives revenue from the transfer of services in the following major business areas:

For the year ended 31 December 2020:

	Integrated Processing	**Digital Wallets**	**eCash Solutions**	**Investment Income**	**Total**
Revenue	716,411	390,585	332,918	4,044	1,443,958
Revenue between business areas	(3,099)	(4,363)	(13,472)	-	(20,934)
Revenue from external customers	**713,312**	**386,222**	**319,446**	**4,044**	**1,423,024**

6. Revenue from contracts with customers (continued)

For the year ended 31 December 2019:

	Integrated Processing	Digital Wallets	eCash Solutions	Investment Income	Total
Revenue	736,226	420,134	272,504	8,726	1,437,590
Revenue between business areas	(6,104)	(4,187)	(7,920)	-	(18,211)
Revenue from external customers	**730,122**	**415,947**	**264,584**	**8,726**	**1,419,379**

The Group derives revenue from the transfer of services in the below geographical regions. Investment income is not included within this table as it is not practicable to apportion its geographical source.

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Rest of the World	197,099	181,412
North America	667,228	680,161
Europe	554,653	549,080
Total	**1,418,980**	**1,410,653**

The Group has no single customer contributing 10% or more of the Group's revenue in the current or previous year.

7. Profit from operating activities

The Group's profit from operating activities is stated after charging/ (crediting):

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Depreciation of property, plant and equipment (Note 15)	14,415	14,354
Amortisation of intangible assets (Note 14)	260,244	265,572
Depreciation of right-of-use assets	9,048	10,058
Gain on disposal of subsidiary (Note 25)	(13,137)	(4,828)
Loss on disposal of assets	416	51
Net impairment losses on financial assets (Note 28)	54,217	60,420
Staff costs (Note 9)	248,345	222,120
Other gains / losses	5,943	-
Net change in other provisions (Note 22)	1,720	550
Net foreign exchange losses	18,806	3,279

8. Auditor remuneration

Fees payable to the Company's auditor and their associates in respect of both audit and non-audit services are as follows:

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Audit services		
Statutory audit of the Company and Group consolidated financial statements	3,345	5,122
Statutory audit of the Company's subsidiaries	566	531
Total audit services	**3,911**	**5,653**
Non-audit services		
Audit-related assurance services	4,741	4,588
Other taxation advisory services	-	63
Total non-audit services	**4,741**	**4,651**
Total fees payable to the Company's auditor and their associates	**8,652**	**10,304**

9. Staff costs

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

	Year ended 31 December 2020	Year ended 31 December 2019
Employees (including executive directors)	**3,328**	**3,189**

Their aggregate remuneration comprised:

	Year ended 31 December 2020	Year ended 31 December 2019
Wages and salaries	195,267	181,941
Social security costs	21,370	19,048
Share-based payment expense (Note 26)	26,291	16,704
Other pension costs	5,417	4,427
Total	**248,345**	**222,120**

Other pension costs relate to the Group's contribution to the Group's defined contribution plan.

Directors' remuneration comprised:

	Year ended 31 December 2020	Year ended 31 December 2019
Wages and salaries	937	928
Social security costs	98	84
Share-based payment expense (Note 26)	327	279
Other pension costs	104	47
Total	**1,466**	**1,338**

Emoluments of the highest paid director were $913,000 (2019: $947,000).

10. Finance costs

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Interest on bank borrowings	164,788	164,406
Interest on borrowings from immediate parent company	365,782	331,763
Fair value movement on derivative financial instruments designated at fair value through profit and loss	22,463	17,325
Payments on derivative financial instruments	3,907	6,662
Interest expense on lease liabilities	2,204	1,623
Other finance costs	4,893	3,560
Total finance costs	**564,037**	**525,339**

11. Finance income

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Unwinding of discount on contingent consideration receivable	9,831	27,274
Interest on loan granted to immediate parent company	748	300
Other finance income	526	950
Total finance income	**11,105**	**28,524**

12. Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the consolidated statement of comprehensive income except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

The current tax charge is calculated on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on amounts expected to be paid to the tax authorities.

The Group uses the balance sheet liability method of accounting for income taxes. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate deferred tax assets or liabilities. Deferred tax assets or liabilities are calculated using tax rates anticipated to exist in the periods that the temporary differences are expected to reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

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

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

The Company is incorporated in and tax resident in the United Kingdom. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

12. Taxation (continued)

The Group charge for the year can be reconciled to the loss shown per the consolidated statement of comprehensive income as follows:

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Tax recognised in profit:		
Current tax		
Current year	15,750	18,155
Adjustment in respect of prior periods	(14,268)	(7,534)
	1,482	**10,621**
Deferred tax		
Current year	(63,771)	(23,047)
Impact of change in tax rate	10,549	1,088
Adjustment in respect of prior periods	(6,285)	(10,430)
	(59,507)	(32,389)
Taxation (benefit)	**(58,025)**	**(21,768)**
Reconciliation of effective tax rate:		
Loss for the year before tax	(578,445)	(501,752)
UK corporate tax rate	19%	19%
Adjustments in respect of prior periods	3.5%	3.5%
Rate change	(1.8%)	-
Expenses not deductible for tax purposes	(13.1%)	(13.9%)
Movement in deferred tax not recognised	(1.1%)	(6.9%)
Tax losses not recognised	0.1%	(1.4%)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2.4%	4.0%
Other	0.9%	-
Current year tax benefit as a percentage of loss before tax	**9.9%**	**4.3%**

The table above shows the reconciliation between the actual tax credit and the tax credit that would result from applying the standard UK corporation tax rate to the Group's loss before tax.

The Group's results are taxed at different rates depending on the country in which the profits arise. The key applicable tax rates include UK (19%), USA (26%), Canada (27%), Austria (25%), Bulgaria (10%) and Ireland (12.5%). The effective tax rate for the year was 9.9% (2019: 4.3%). The future underlying tax rate will be influenced by the tax jurisdiction in which the results arise.

Recognition of deferred tax assets and liabilities

The tables below show the movement on deferred tax assets and liabilities recognised during the year and the make-up of closing deferred tax assets and liabilities.

	$'000
Deferred net tax liability at 31 December 2019	**(160,250)**
Acquisitions and disposals	(303)
Recognised in profit or loss	59,507
Recognised in other comprehensive income	(4,077)
Deferred net tax liability at 31 December 2020	**(105,123)**

12. Taxation (continued)

Deferred tax assets and liabilities at 31 December 2020	Asset $'000	Liability $'000	Net $'000
Property, plant and equipment	8,775	(2,197)	6,578
Intangible assets	43,693	(284,345)	(240,652)
Carry forward tax losses	78,837	-	78,837
Others	55,812	(5,698)	50,114
Deferred tax	**187,117**	**(292,240)**	**(105,123)**

Deferred tax assets and liabilities at 31 December 2019	Asset $'000	Liability $'000	Net $'000
Property, plant and equipment	9,029	(4,751)	4,278
Intangible assets	35,130	(277,874)	(242,744)
Carry forward tax losses	39,610	-	39,610
Others	44,691	(6,085)	38,606
Deferred tax	**128,460**	**(288,710)**	**(160,250)**

Net deferred tax liabilities of $240,652,000 on intangible assets arises as a result of the acquisition of Paysafe Group Limited and iPayment Holdings Inc.

Deferred tax assets on carried forward losses of $78,837,000 are primarily represented by the losses carried forward in the UK and USA.

Net deferred tax assets on other temporary differences amounted to $50,114,000. This includes a deferred tax asset of $21,431,000 in respect of unused interest expense carried forward in the US and UK for which the Group expects to get a future tax deduction. Other deferred tax assets also include $16,694,000 in respect of accrued and unpaid expenses as well as a deferred tax asset of $10,495,000 in respect of unrealised foreign exchange losses.

Deferred tax assets have not been recognised in respect of carried forward tax losses amounting to $23,290,000 (2019: $42,217,000). This is on the basis that future taxable profits against which these tax losses can be utilised is not probable, based on a 5-year forecast period.

Income tax and foreign withholding taxes have not been recognized on the excess of the accounting book value over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. This amount becomes taxable upon a repatriation of assets from the subsidiary or a sale or liquidation of the subsidiary. The amount of such taxable temporary differences totalled $1,311,862,000 (2019: $811,575,000) as of 31 December 2020, and the amount of any unrecognized deferred tax liability on this temporary difference is $1,892,000.

13. Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries at the date of acquisition. Goodwill acquired through business combinations is allocated to the CGU or group of CGUs that are expected to benefit from synergies of the related business combination. The group of CGUs that benefit from the synergies correspond to the Group's operating segments.

	Integrated Processing $'000	Digital Wallets $'000	eCash Solutions $'000	Group $'000
Cost				
Balance at 31 December 2018	**1,793,892**	**1,005,698**	**647,065**	**3,446,655**
Exchange difference	-	-	(14,331)	(14,331)
Balance at 31 December 2019	**1,793,892**	**1,005,698**	**632,734**	**3,432,324**
Exchange difference	-	-	56,502	56,502
Additions during the year	-	-	12,120	12,120
Disposals during the year	(24,161)	-	-	(24,161)
Balance at 31 December 2020	**1,769,731**	**1,005,698**	**701,356**	**3,476,785**

13. Goodwill (continued)

The majority of goodwill relates to the acquisitions of Paysafe Group Limited, completed in December 2017, and of iPayment Holdings Inc., completed in June 2018. Additions to goodwill within the eCash Solutions CGU in the current year relate to the acquisition of Openbucks (see Note 24). Reductions to goodwill within the Integrated Processing segment in the current year relates to the disposal of a subsidiary (see Note 25).

Key sources of estimation uncertainty - assumptions used in goodwill impairment review
Management has determined the recoverable amount of the CGUs by assessing their fair value less costs of disposal (FVLCOD). The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used. No goodwill impairment was identified in the years ended 31 December 2020 and 2019.

Management's key assumptions used to determine the CGUs' FVLCOD were as follows:

	As at 31 December 2020		
	Integrated Processing	**Digital Wallets**	**eCash Solutions**
Short-term revenue growth rate (FY21)	12.0%	9.2%	7.5%
Long-term average revenue growth rate (FY22-25)	8.0%	12.1%	7.0%
Post-tax discount rate	7.7%	10.1%	10.3%
Observed EV/EBITDA exit multiple ranges	15.5x – 29.3x	18.9x – 32.2x	11.9x – 24.8x
Average of observed EV/EBITDA exit multiple	20.7x	26.0x	16.1x
Cash flow forecast period	5 years	5 years	5 years

	As at 31 December 2019		
	Integrated Processing	**Digital Wallets**	**eCash Solutions**
Short-term revenue growth rate (FY20)	6.7%	12.4%	9.6%
Long-term average revenue growth rate (FY21-24)	7.5%	10.6%	11.1%
Post-tax discount rate	9.2%	12.2%	10.3%
Observed EV/EBITDA exit multiple ranges	14.5x - 32.0x	18.8x - 33.8x	7.6x - 23.9x
Average of observed EV/EBITDA exit multiple	19.1x	23.8x	14.4x
Cash flow forecast period	5 years	5 years	5 years

For the years ended 31 December 2020 and 2019, FVLCOD was determined using a five-year discounted cash flow model prepared by management including a terminal value calculated by applying an EV/EBITDA exit multiple to year five EBITDA. The first year cashflows were based on the Board approved budget. Budgeted EBITDA was based on expectation of future outcomes taking into account past experience and market participant expectations. Cashflows for years two to five were estimated based on a combination of management expectations as well as digital and card payment sectors and region-specific growth forecasts to derive revenue growth rate assumptions. These long-term revenue growth assumptions reflect the high levels of growth both experienced to date and forecasted to continue, for the digital and card payment (online and offline) sectors.

The year five EV/EBITDA exit multiple was determined for each CGU based on a basket of comparable listed companies' EV/EBITDA multiples. The average over a five-year period was taken (with certain outliers excluded) to reflect the long-term nature of the valuation, cross referenced to recent transaction multiples, and discounted in relation to judgemental CGU specific considerations (by between 6-30%) in order to arrive at the EV/EBITDA multiples utilised. The resulting year-five exit multiples were below the average and either within or below the bottom end of the observed ranges (as disclosed above) in order to reflect both specific CGU characteristics and the long-term nature of the judgement. Thus management consider this process to have resulted in reasonable EV/EBITDA exit multiples consistent with those that a market participant would assume; notably when considered in light of the significant increase in observed transactions and listed companies' EV/EBITDA multiples within the digital and card payments sectors over the last five years.

The discount rates utilised reflect specific risks relating to the CGUs and the countries in which they operate. It is an estimate based on past experience, current market information, comparison to the overall Group discount rate as well as to the discount rates used in the purchase price allocation processes of the businesses acquired in prior periods, and the expected average weighted cost of capital.

The resultant fair values for each CGU were then benchmarked by comparing the implied EV/EBITDA multiples against both a basket of comparable listed companies' current EV/EBITDA multiples and recently observed transaction multiples. The implied EV/EBIDA multiples are considered to be within a reasonable range.

14. Intangible assets

Development costs are stated at cost less accumulated amortisation and accumulated impairment losses. Development costs are capitalised only when they are directly attributable, it is probable that future economic benefit will result from the project and the following criteria are met:

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

Development expenditure that does not meet the above criteria is expensed as incurred. Development costs are amortised on a straight-line basis over their estimated useful life, which is assessed to be three to five years.

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Computer software is amortised on a straight-line basis over its estimated useful life which is assessed to be three to five years.

Customer relationships include acquisitions of merchant portfolios where the following criteria has been met:

- The merchant portfolio acquired must be identifiable and have a contract in place that provides the rights and obligations related to the merchant relationship;
- The legal rights to future revenues from the acquired merchant portfolios must be obtained, meaning the Group has control of the merchants; and
- Future economic benefits will be generated from the merchant portfolio.

Customer relationships relating to acquisitions of merchant portfolios are stated at cost less accumulated amortisation and accumulated impairment losses. Merchant portfolios are amortised on a straight-line basis over its estimated useful life which is assessed to be five to seven years.

On occasion, the cost of a merchant portfolio will include both an initial ("up-front") and a contingent element of the consideration. The Group assesses the fair value of the contingent consideration at each reporting period and any adjustments are recognised as an adjustment to the cost of the asset.

Customer relationships, software development costs and brands that are acquired by the Group as part of business combinations are recognised at fair value at the acquisition date and amortised using the straight-line method over the expected life of the intangible asset, which is two to twenty years.

The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets amortisation charge is recognised in the consolidated statement of comprehensive income under "Operating expenses".

14. Intangible assets (continued)

The **Group** had the following balances:

	Brands $'000	Customer relationships $'000	Software development $'000	Computer software $'000	Total $'000
Cost					
As at 31 December 2018	**164,083**	**1,395,377**	**656,523**	**21,456**	**2,237,439**
Additions	6	105,826	-	6,157	111,989
Adjustment to cost	-	(3,044)	-	-	(3,044)
Additions – internally developed	-	-	51,379	-	51,379
Disposals	-	-	(4,441)	(1,149)	(5,590)
Exchange difference	(2,104)	(10,546)	(2,837)	(259)	(15,746)
As at 31 December 2019	**161,985**	**1,487,613**	**700,624**	**26,205**	**2,376,427**
Additions	-	22,961	358	2,917	26,236
Additions – internally developed	-	-	55,702	-	55,702
Additions – acquisitions	-	1,164	6	365	1,535
Disposals	-	(5,106)	(16,129)	(380)	(21,615)
Exchange difference	8,364	41,843	19,678	2,388	72,273
As at 31 December 2020	**170,349**	**1,548,475**	**760,239**	**31,495**	**2,510,558**
Accumulated amortisation and impairment					
As at 31 December 2018	**17,854**	**117,646**	**82,162**	**3,458**	**221,120**
Charge for the year	20,105	141,848	96,424	7,195	265,572
Impairment	344	69,770	52,594	-	122,708
Disposals	-	-	(1,589)	(980)	(2,569)
Exchange difference	(176)	(818)	(875)	(28)	(1,897)
As at 31 December 2019	**38,127**	**328,446**	**228,716**	**9,645**	**604,934**
Charge for the year	15,812	136,460	100,303	7,669	260,244
Impairment	-	84,204	31,922	-	116,126
Disposals	-	(1,715)	(6,929)	(341)	(8,985)
Exchange difference	3,104	10,028	19,519	1,643	34,294
As at 31 December 2020	**57,043**	**557,423**	**373,531**	**18,616**	**1,006,613**
Carrying amount					
As at 31 December 2019	123,858	1,159,167	471,908	16,560	1,771,493
As at 31 December 2020	**113,306**	**991,052**	**386,708**	**12,879**	**1,503,945**

In the year ended 31 December 2020 $7,952,000 (2019: $11,748,000) of research and development expenses were recorded in the consolidated statement of comprehensive income.

Adjustment to cost
As stated above, the cost of merchant portfolios often includes a contingent element. Based on management's assessment of the fair value of the contingent consideration payable on merchant portfolios at the balance sheet date, no adjustment to cost (2019: $3,044,000) has been recorded in the Group's financial statements.

14. Intangible assets (continued)

Revision of estimated useful lives of intangible assets

Management performs an annual reassessment of estimated useful lives of intangible assets. For the year ended December 31, 2020, revisions to the useful lives of intangible assets did not have a material impact to the financial statements. For the year ended 31 December 2019, management revised the useful lives of certain software and customer relationships that had been acquired in the past acquisitions of Paysafe Group Limited (December 2017) and iPayment Holdings, Inc (June 2018). The revised useful lives reflect management best estimates of the period during which the assets will be used. Software useful lives were shortened following progression in the consolidation of the legacy platforms into a unified Group IT platform, resulting in an accelerated retirement of the legacy IT. Certain customer relationships' useful lives were also revised to reflect the shorter period over which they are expected to generate revenue following higher than anticipated merchant attrition rates observed since the assets acquisition. The impact of the useful lives revision was an accelerated amortisation of $22,123,000 in the year ended 31 December 2019.

Impairment review

During the year management reviewed the carrying amounts of the intangible assets and identified indicators of impairment in certain software and customer relationships acquired in past business combinations, resulting from a deterioration in the forecasted cashflows underpinning their value as well as technology accelerated retirement and higher than anticipated merchant and consumer attrition rates observed since the assets acquisition. Management determined the individual assets' recoverable amount based on fair value less costs of disposal calculations, which take into account market participant assumptions. The review led to the recognition of an impairment loss of $31,922,000 (2019: $50,933,000) on software with a recoverable amount of $9,071,000 (2019: $63,813,000), and an impairment loss of $56,659,000 (2019: $40,290,000) on customer relationships with a recoverable amount of $165,387,000 (2019: $391,054,000). The impairment losses corresponded to the Integrated Processing and Digital Wallets CGUs (2019: all in integrated Processing CGU). Management also estimated the value in use of the individual assets subject to impairment review, but in all cases this was less than the FVLCOD and thus not used as recoverable amount.

The software was valued using a relief from royalty methodology while for the customer relationships a multi-period excess earnings method was followed. Management's key assumptions included average revenue growth rate, EBIT/EBITDA margin, merchant and consumer attrition rates, royalty rates, estimated useful lives and post-tax discount rate. The discount rate used were 8.2% for Integrated Processing CGU assets and 10.6% for Digital Wallets CGU assets (2019: 9.7%). The valuations are considered to be level 3 in the fair value hierarchy due to unobservable inputs used.

Management also assessed there to be indicators of impairment relating to certain software development costs capitalised and merchant portfolios acquired. An impairment charge of $nil (2019: $1,661,000) was recorded against software development costs relating to projects that have been cancelled in the period. An impairment charge of $27,545,000 (2019: $29,480,000) was recorded against customer relationships relating to certain merchant portfolios due to deterioration in anticipated merchant attrition rates observed since the assets' acquisition. The value in use calculation used in management's assessment of the recoverable amount of merchant portfolios was based on discounted cashflow forecasts. Management's key assumptions included expected cashflows and the post-tax discount rate.

15. Property, plant and equipment

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
Furniture and equipment	3-5 years
Computer equipment	3-5 years
Leasehold improvements	Over the term of the lease, subject to a maximum of 10 years

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 consolidated statement of comprehensive income.

15. Property, plant and equipment (continued)

The **Group** had the following balances:

	Furniture and equipment $'000	Computer and communication equipment $'000	Leasehold improvements $'000	Total $'000
Cost				
As at 31 December 2018	**5,761**	**34,672**	**8,137**	**48,570**
Additions	9,149	1,669	62	10,880
Disposals	(2,536)	(6,569)	(1,005)	(10,110)
Exchange difference	64	(313)	49	(200)
As at 31 December 2019	**12,438**	**29,459**	**7,243**	**49,140**
Additions	3,324	1,601	-	4,925
Disposals	(2,617)	(1,652)	(783)	(5,052)
Exchange difference	715	2,466	194	3,375
As at 31 December 2020	**13,860**	**31,874**	**6,654**	**52,388**
Accumulated depreciation				
As at 31 December 2018	**3,455**	**10,069**	**760**	**14,284**
Charge for the year	7,461	6,000	893	14,354
Disposals	(914)	(6,531)	(259)	(7,704)
Exchange difference	62	(72)	67	57
As at 31 December 2019	**10,064**	**9,466**	**1,461**	**20,991**
Charge for the year	4,865	8,296	1,254	14,415
Disposals	(1,938)	(1,501)	(709)	(4,148)
Exchange difference	563	1,782	94	2,439
As at 31 December 2020	**13,554**	**18,043**	**2,100**	**33,697**
Carrying amount				
As at 31 December 2019	2,374	19,993	5,782	28,149
As at 31 December 2020	**306**	**13,831**	**4,554**	**18,691**

16. Trade receivables, other receivables and prepaid expenses

Trade receivables, including receivables from payment processing merchants that represent processing revenues earned but not yet collected, are stated at their amortised cost less provisions for expected credit losses. See Note 28 for further disclosures in respect of provisions for expected credit losses.

The **Group** had the following balances:

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Trade receivables	117,410	117,521
Other receivables	39,035	41,744
Prepaid expenses	21,113	17,931
Current receivable from related parties (Note 31)	14,075	15,800
Total current	**191,633**	**192,996**
Non-current loan receivable from related parties (Note 31)	23,785	17,688
Other non-current receivables	508	881
Total trade receivables, other receivables and prepaid expenses	**215,925**	**211,565**

Presented against trade receivables are provisions for expected credit losses of $25,035,000 (2019: $40,307,000) (see Note 28).

16. Trade receivables, other receivables and prepaid expenses (continued)

The **Company** had the following balances:

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Non-current receivable from subsidiary undertakings (Note 31)	3,388,212	3,056,342
Total other receivables	**3,388,212**	**3,056,342**

17. Settlement receivables

The **Group** had the following balances:

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Receivables from third party payment service providers	127,619	130,513
Receivables from distribution partners	95,464	119,940
Total settlement receivables	**223,083**	**250,453**

Presented against settlement receivables are provisions for expected credit losses of $5,859,000 (2019: $4,498,000) (see Note 28).

18. Contingent consideration receivable

The current and non-current contingent consideration receivable arose on the disposal of Paysafe Merchant Services Limited ("PMSL"), a subsidiary of Paysafe Group Limited prior to disposal. The disposal occurred on 20 December 2017, immediately prior to the acquisition of Paysafe Group Limited by Pi UK Bidco Limited.

The contingent consideration is payable in bi-annual instalments up to 20 July 2024, known as the 'target payments'. The target payments are fixed amounts that are contingent on the future distributable cash generated by PMSL. If the distributable cash generated by PMSL is lower than the amount of the target payments (a "shortfall"), the amount received by Paysafe will be limited to the distributable cash generated.

Under the terms of the disposal agreement, a share charge will be enacted in the event of:

- A default on payment by the buyer; and
- The Group issuing a 90 days' notice to pay.

The share charge represents the shares of PMSL charged as security over the contingent consideration receivable. As at 31 December 2020 and 2019, the possibility of the enactment of the share charge is considered remote.

All amounts due in the period under the agreed terms of the disposal have been settled by the buyer in full.

At 31 December 2020 and 2019, the Group expects the future target payments to be met in full. The contingent consideration receivable has been discounted using a discount rate of 16.5% (2019: 16.5%), reflecting the risks associated with the operation of the PMSL business and cashflows.

A movement of 1% of the discount rate impacts the receivable by $2,401,000 (2019: $2,775,000).

18. Contingent consideration receivable (continued)

	Contingent consideration receivable $'000
Balance at 1 January 2019	**177,961**
Unwinding of discount on contingent consideration receivable (Note 11)	27,274
Settlement of receivables due in the year (see below)	(47,143)
Foreign exchange	5,937
Balance at 31 December 2019	**164,029**
Current portion of contingent consideration receivable	50,170
Non-current portion of contingent consideration receivable	113,859
Balance at 1 January 2020	**164,029**
Unwinding of discount on contingent consideration receivable (Note 11)	9,831
Settlement of receivables due in the year (see below)	(27,158)
Foreign exchange	5,073
Balance at 31 December 2020	**151,775**
Current portion of contingent consideration receivable	26,668
Non-current portion of contingent consideration receivable	125,107

Pursuant to the disposal agreement, the payments due under the contingent consideration receivable are made directly to the Group's ultimate parent company, which is obliged to transfer such proceeds to the Group, but only to the extent that it receives such amounts from the buyer. As of 31 December 2020, the ultimate parent company has received payments from the buyer but has not made any cash payments to the Group (Note 31).

19. Loans and borrowings

The **Group** had the following balances:

As at 31 December 2020	Current $000	Non-current $000	Total $'000
External borrowings	15,636	3,246,871	3,262,507
Loan from immediate parent company (Note 31)	-	3,388,095	3,388,095
Total loans and borrowings	**15,636**	**6,634,966**	**6,650,602**

As at 31 December 2019	Current $000	Non-current $000	Total $'000
External borrowings	15,712	3,178,420	3,194,132
Loan from immediate parent company (Note 31)	-	3,056,342	3,056,342
Total loans and borrowings	**15,712**	**6,234,762**	**6,250,474**

External borrowings
The Group's credit facilities consist of a First Lien Term Loan, a Second Lien Term Loan, a First Lien revolving credit facility ("RCF"), and a Line of Credit.

The First Lien Term Loan consists of a $1,540,000,000 USD Facility ("USD First Lien") and a €1,043,716,000 EUR Facility ("EUR First Lien") ($1,196,777,000).

The Second Lien Term Loan facility consists of a $250,000,000 USD Facility ("USD Second Lien") and a €212,459,000 EUR Facility ("EUR Second Lien") ($243,616,000).

19. Loans and borrowings (continued)

The Group has a $225,000,000 RCF available, from which the Group has made draw downs and repayments throughout the year. As at 31 December 2020, the Group had unpaid drawdowns of $nil (2019: $22,500,000) and €nil (2019: €48,500,000 ($54,381,000)). The Group also pays a fee on the daily portion of the facility that is not utilized and available for future borrowings. As of 31 December 2020, the commitment fee payable on the unutilized amount was 30% of the applicable margin of 3.00%.

On 18 June 2019, the Group finalised a $25,000,000 Line of Credit with Woodforest National Bank. In the first quarter of 2020, the Line of Credit was increased to $50,000,000 and the maturity date was extended to May 2023. The Line of Credit is restricted for use in funding settlements in the Integrated Processing business and is secured against known transactions. The Group has made draw downs and repayments throughout the year. As at 31 December 2020, the unpaid drawdowns amounted to $50,000,000 (2019: 24,363,000).

During 2020 the Group repaid $15,400,000 (2019: $15,400,000) under the USD First Lien. Interest terms under the facilities are generally paid on a monthly, quarterly or bi-annual basis or any other period agreed upon between the Group and the lender.

At 31 December 2020, the Group had in issue approximately $160,950,000 (2019: $126,000,000) letters of credit for use in the ordinary course of business.

The key terms of these facilities were as follows:

Facility	Currency	Interest rate[3]	Facility maturity date	Principal outstanding at 31 December 2020	Principal outstanding at 31 December 2019
USD First Lien	USD	USD LIBOR + 3.50% [1]	January 2025	1,497,650,000	1,513,050,000
USD Second Lien	USD	USD LIBOR + 7.25%	January 2026	250,000,000	250,000,000
EUR First Lien	EUR	EURIBOR + 3.25% [1]	January 2025	1,274,768,000	1,043,716,000
EUR Second Lien	EUR	EURIBOR + 7.00%	January 2026	259,491,000	212,459,000
Revolving Credit Facility	USD	BASE + 3.00% [1]	January 2024	-	22,500,000
Revolving Credit Facility	EUR	BASE + 3.00% [1]	January 2024	-	48,500,000
Woodforest Line of Credit	USD	Prime [2] - 0.25%	May 2023	50,000,000	24,363,000

[1] During the year ended 31 December 2020 the margin on these facilities was increased by 25 basis points and it currently stands at the amounts reflected in this table.

[2] The Prime Rate is defined as the rate of interest per annum most recently published in The Wall Street Journal (or any successor publication if The Wall Street Journal is no longer published) in the "Money Rates" Section (or such successor section) as the "Prime Rate."

[3] For facilities which utilize the EURIBOR and LIBOR rates, a rate floor of 0% and 1% applies, respectively.

Loan from immediate parent company

During 2018 the Company entered into two shareholder loan agreements with Pi Jersey Holdco 1.5 Limited, its immediate parent company. One on 2 January 2018 for a principal amount of $2,382,561,000, maturing in January 2043. The second one on 1 June 2018 for a principal amount of $125,157,000. These loans accrue interest at a 12% fixed rate per annum, which is accrued and compounded on an annual basis and which is payable at termination.

In the year, an amount of $34,390,000 (2019: $77,068,000) of the loan receivable was settled in connection with the repayment of the shareholders loan payable to the Group's ultimate parent company.

The **Company** had the following balances:

As at 31 December 2020	Current $000	Non-current $000	Total $'000
Loan from immediate parent company (Note 31)	-	3,388,095	3,388,095
Loan from subsidiary group undertaking	-	2,306	2,306
Total loans and borrowings	**-**	**3,390,401**	**3,390,401**

As at 31 December 2019	Current $000	Non-current $000	Total $'000
Loan from immediate parent company (Note 31)	-	3,056,342	3,056,342
Total loans and borrowings	**-**	**3,056,342**	**3,056,342**

20. Trade and other payables

The **Group** had the following balances:

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Accounts payable	27,280	22,234
Other payables	37,538	32,759
Accrued liabilities	86,078	69,057
Payroll liabilities	32,040	48,981
Total current trade and other payables	**182,936**	**173,031**
Non-current accounts payable	968	-
Total trade and other payables	**183,904**	**173,031**

The **Company** had the following balances:

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Amounts payable to subsidiary undertakings	-	187
Total current trade and other payables	**-**	**187**

21. Contingent consideration payable

Contingent consideration payable relates to merchant buyouts and business combinations that are payable in cash subject to the future financial performance of the acquired portfolios and acquired businesses.

The **Group** had the following balances in the current and prior year:

	Contingent Consideration Payable $'000
Balance at 1 January 2019	**8,157**
Payments made during the year	(6,037)
Acquired in the year	12,373
Release of contingent consideration	(3,044)
Balance at 31 December 2019	**11,449**
Current portion of contingent consideration payable	6,651
Non-current portion of contingent consideration payable	4,798
Balance at 1 January 2020	**11,449**
Payments made during the year	(5,689)
Acquired in the year	3,905
Release of contingent consideration	(102)
Balance at 31 December 2020	**9,563**
Current portion of contingent consideration payable	5,820
Non-current portion of contingent consideration payable	3,743

As disclosed in Note 14, the Group's customer relationships include acquisitions of merchant portfolios. The consideration for the merchant portfolios often includes an initial payment ("up-front") and a contingent element. The contingent element is recognised as a liability on the Group's balance sheet on acquisition and the carrying value is assessed at each reporting period. In the year the Group recognised $404,000 (2019: $12,373,000) of contingent consideration payable relating to acquisitions of merchant portfolios and made payments of $5,689,000 (2019: $6,037,000). Based on management's assessment of the fair value of the contingent consideration payable on merchant portfolios at the balance sheet date, a release of contingent consideration totalling $102,000 (2019: $3,044,000) has been recorded in the Group's financial statements. See Note 14 for further details.

21. Contingent consideration payable (continued)

During the year, the Group also recognised an estimated contingent consideration payable of $3,501,000 related to the acquisition of Openbucks (see Note 24).

22. Provisions and contingent liabilities

Provisions

	Uncertain Tax Positions $'000	Other $'000	Total $'000
Balance at 31 December 2019	**23,916**	**9,950**	**33,866**
Additional provision in the year	-	2,120	2,120
Utilisation of provision	(4,703)	(400)	(5,103)
Balance at 31 December 2020	**19,213**	**11,670**	**30,883**

Provisions on financial guarantee contracts totalling $7,800,000 (2019: $15,421,000) are also presented within "Provisions" on the Statement of Financial Positions. These represent cash shortfalls expected to be paid to holders of the financial instrument for losses they incur (i.e. from chargeback claims). For further details see Note 28.

Accounting for taxes involves some estimation because the tax law is uncertain, and the application requires a degree of judgement, which tax authorities may dispute and apply a different interpretation. As at 31 December 2020, the Group held $19,213,000 (2019: $23,916,000) in respect of uncertain tax positions across all jurisdictions for all periods where the statute of limitation has not closed. Liabilities are recognised based on best estimates of the probable outcome, considering external professional advice where appropriate. We do not expect significant liabilities to arise over and above the amounts provided.

Through the course of its business, the Group is subject to a number of litigation proceedings both brought against and brought by the Group. From an evaluation completed by management, it has been concluded it appropriate to recognise a provision across certain litigation cases. These provisions are included within other provisions as noted above.

Contingent liabilities
As noted above, the Group is subject to various litigation proceedings. The Group vigorously defends its position on all open cases, including any litigation that arises as a result of the cyber breach that occurred in November 2020. Whilst the Group considers a material outflow for any one individual case unlikely, it is noted that there is uncertainty over the final timing and amount of any potential settlements. Management believes the disposition of all claims currently pending, including potential losses from claims that may exceed the liabilities recorded, and claims for loss contingencies that are considered reasonably possible to occur, will not have a material effect, either individually or in the aggregate, on the Group's consolidated financial condition, results of operations or liquidity.

23. Share capital

	Ordinary Shares Number	Ordinary Shares $
Outstanding at 1 January 2019, 31 December 2019 and 31 December 2020	**133**	**1**

The Company's share capital is comprised of 133 ordinary shares of $0.01 each. There were no issues or changes to share capital in the years ended 31 December 2020 and 2019.

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

The Company does not have a limited amount of authorised capital.

24. Business combinations

Openbucks

In August 2020, the Group completed the acquisition of Openbucks Corp. ("Openbucks") with the goal of accelerating the expansion of eCash Solutions in the United States as well as benefit from certain partnerships with retailers. The total expected purchase price, including earnouts, is $13,262,000, comprised of cash consideration of $9,760,000 and an additional contingent earnout to be paid in future periods based on earnings targets. The operating results of the acquisition have been included in the Group's consolidated financial statements since the date of acquisition. This acquisition was not significant and the effects of the business combination were not material to the Group's consolidated financial statements.

25. Disposal of subsidiary

Payolution GmbH

On 5 October 2020, the Group disposed of Payolution GmbH, a wholly owned subsidiary of the Group, for total consideration consisting of cash and contingent consideration. The receivable is contingent upon the achievement of certain financial performance metrics of Payolution GmbH. As of 31 December 2020, $4,885,000 of the receivable (at closing foreign exchange rates) is recorded within "Other receivables and prepaid expenses" in the Consolidated Statements of Financial Position as the corresponding financial performance metrics had been achieved prior to year-end. The remaining consideration for financial performance conditions, if met, will be due in the second quarters of the years ended 31 December 2021 and 2022.

	Year ended 31 December 2020 $'000
Cash consideration	47,098
Contingent consideration	4,686
Total consideration	**51,784**
Net assets on disposal	38,647
Gain on disposal of subsidiary	**13,137**

As a result of the disposal, the Group recognized a gain of $13,137,000 during the year ended 31 December 2020, recorded within "Operating expenses" in the Consolidated Statements of Comprehensive Income.

Paysafe UK GOLO Holdco Limited

On 26 June 2019, Paysafe Group Limited, an indirect subsidiary of the Company, disposed of 100% of the share capital of Paysafe UK GOLO Holdco Limited for a total consideration of $9,523,000 to Pi Jersey Topco Limited (the Company's ultimate parent company).

	Year ended 31 December 2019 $'000
Cash consideration	9,523
Total consideration	**9,523**
Net assets on disposal	4,695
Gain on disposal of subsidiary	**4,828**

As a result of the disposal, the Group recognized a gain of $4,828,000 during the year ended 31 December 2019, recorded within "Operating expenses" in the Consolidated Statements of Comprehensive Income.

26. Share-based payments

On 2 January 2018, Pi Jersey Topco Limited (the ultimate parent company) adopted a plan (the "Plan") authorizing the issuance of equity-based awards, including A ordinary shares and B ordinary shares, to certain executive and senior managers of the Group in consideration for their employee services. The total number of authorized A ordinary shares under the Plan is 600,000, and there is not a limit to the number of B ordinary shares authorized. Consideration is payable from an employee of $2.16 (2019: $2.16) for each A ordinary share and of $1 (2019: $1) for each B ordinary share granted. Whilst the awards are issued and settled by Pi Jersey Topco Limited, the employee services are received by Paysafe Group. As such, they are accounted for as equity settled share-based payments in the Group financial statements, with the expense recognised against a corresponding increase in the Capital Contribution reserve.

Equity-settled share-based payments are measured at fair value at the date of grant. 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).

26. Share-based payments (continued)

The A ordinary shares and B ordinary shares include a service-based vesting condition and a performance-based vesting condition. Vesting is subject to continuous service until the achievement of an Exit Event (defined as an IPO whereby Blackstone and CVC retain less than 50% of the B ordinary shares they held immediately prior to the IPO through one or multiple transactions, winding-up or completion of a sale). In the case of an IPO that does not meet the definition of an Exit Event, a portion of the A ordinary shares would vest between the IPO and the Exit Event. The Plan also includes a market condition through a ratchet mechanism whereby, upon the achievement of a specified return at an Exit Event or subsequent sale of ordinary shares, a number of B ordinary shares as determined by a formula would automatically be converted into deferred shares, so as to result in the A ordinary shares, which are held by executives and senior managers of the Group only, having an additional ownership percentage of the total equity. This ratchet mechanism impacts the grant date fair value of the A ordinary shares and the B ordinary shares.

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 recognised 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). The movement in cumulative expense since the previous reporting date is recognised in the income statement within "Operating expenses", with a corresponding entry in equity as a capital contribution from the ultimate parent company.

Changes in the number of A ordinary shares and B ordinary shares are detailed in the table below:

	A ordinary shares	B ordinary shares
Outstanding at 31 December 2018	530,490	288,129
Granted during the year	139,166	23,969
Bought back and fully vested during the year	(130,296)	(8,527)
Outstanding at 31 December 2019	**539,360**	**303,571**
Granted during the year	32,290	-
Bought back and fully vested during the year	(47,670)	(10,995)
Outstanding at 31 December 2020	**523,980**	**292,576**

Key sources of estimation uncertainty - assumptions used in the valuation model
The fair value of the A ordinary shares and B ordinary shares was determined by first calculating the enterprise value of the entity issuing the shares, Pi Jersey Topco Limited, at the valuation date. The enterprise value was subsequently used to determine the ordinary equity value of the Group. The fair value of the ordinary shares granted was estimated using a Monte Carlo simulation approach based on the ordinary equity value calculated, among other assumptions.

For the years ended 31 December 2020 and 2019, the enterprise value was estimated consistently with the methodology followed in the Group's goodwill impairment test. It was determined using a five-year discounted cash flow model prepared by management, including a terminal value calculated by applying an EV/EBITDA exit multiple to year five EBITDA. The year five EV/EBITDA exit multiple was determined based on a basket of comparable listed companies' EV/EBITDA multiples. Market data for comparable companies was taken over a long-term period in order to reflect the long-term nature of the valuation and cross referenced to recent transaction multiples. Management consider this process to have resulted in a reasonable EV/EBITDA exit multiple consistent with those that a market participant would assume; notably when considered in light of the significant increase in observed transactions and listed companies EV/EBITDA multiples within the digital and card payments sector over the last five years.

The discount rate utilised is an estimate based on current market information and the expected average weighted cost of capital.

The resultant enterprise value was then benchmarked by comparing the implied EV/EBITDA multiples against both a basket of comparable listed companies' current EV/EBITDA multiples and recently observed transaction multiples. The implied EV/EBIDA multiples are considered to be within a reasonable range.

26. Share-based payments (continued)

The following table shows the principal assumptions used in the estimation of the enterprise value utilised for the 2020 enterprise valuation:

	Integrated Processing	Digital Wallets	eCash Solutions
Short-term revenue growth rate (FY21)	12.0%	9.2%	7.5%
Long-term average revenue growth rate (FY22-25)	8.0%	12.1%	7.0%
Post-tax discount rate	7.7%	10.1%	10.3%
Cash flow forecast period	5 years	5 years	5 years

The following table shows the principal assumptions used in the estimation of the enterprise value utilised for the 2019 enterprise valuation:

	Integrated Processing	Digital Wallets	eCash Solutions
Short-term revenue growth rate (FY20)	6.7%	12.7%	12.3%
Long-term average revenue growth rate (FY21-24)	7.5%	11.1%	12.1%
Post-tax discount rate	8.7%	12.0%	10.0%
Cash flow forecast period	5 years	5 years	5 Years

The following table shows the principal assumptions used in the Monte Carlo simulation and resulting fair value of the ordinary shares granted: :

	Year ended 31 December 2020	Year ended 31 December 2019
Valuation date	14 September 2020	24 June 2019
Expected volatility	48.27%	30.90%
Risk free interest rate	0.14%	1.84%
Dividend yield	Nil	Nil
Weighted average fair value per ordinary share granted	$320.50	$250.91

Expected volatility was determined based on the historical volatility of Paysafe and broadly comparable companies operating in the payments sector.
The increase in the weighted average fair value per ordinary share granted resulted from the timing of the key grants, and thus of the corresponding valuations. The 2019 fair value was driven by a 24 June 2019 enterprise valuation, while the 2020 fair value was impacted by a higher enterprise valuation performed on 14 September 2020. The main drivers behind the increase in the enterprise valuation include increasing scale, diversification of the business (noting expansion in US markets), organic growth resulting from several strategic initiatives focused on revenue growth and cost efficiencies, and the higher observed EV/EBITDA and transaction multiples within the payments sector.

A single valuation was completed in 2020 and used for all awards in the year, aligned with the material grants made to management. Grants made between the 2019 and 2020 valuation dates are not material. Management do not consider the weighted average fair value per ordinary share granted to be indicative of market price on any future potential sale of the Group.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the share-based payment charge recognised in the income statement to changes in the key assumptions used to determine the fair value of the ordinary shares granted. The fair value is most sensitive to the ordinary equity value used in the Monte Carlo model, which is derived from the enterprise value calculated at the valuation date. The fair value is not considered sensitive to reasonable changes in volatility or other assumptions used.

A 10% increase in the 2020 enterprise value (via cashflow or EV/EBITDA multiple) would result in a 37% increase in the weighted average fair value and a $1.2 million higher charge in the income statement for the current year, with all other assumptions remaining unchanged.

The share-based payment charge expensed in a year is sensitive to management's estimate of IPO and Exit Event dates, as they determine the length of the vesting period over which the ordinary shares' fair value is recognised. Using later dates than management's current assumption would result in a decrease in the charge recorded in the year, while using earlier dates would result in an increase in the annual charge.

27. Leases

The Group has operating leases for offices, corporate apartments, and data centres. Leases have remaining lease terms between less than one year to 11 years, some of which include options to extend the lease term, and others include options to terminate the lease within one year. The Group considers these options in determining the lease term used to establish the right-of-use assets and lease liabilities. The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

(i) Amounts recognised in the statement of financial position

Right-of-use-assets:

	Total $'000
Cost	
As at 1 January 2019	29,807
Additions	15,124
Disposals	(1,481)
Exchange difference	44
As at 31 December 2019	**43,494**
Additions	11,687
Disposals	(2,739)
Exchange difference	2,533
As at 31 December 2020	**54,975**
Accumulated depreciation	
As at 1 January 2019	-
Charge for the year	10,058
Disposals	(1,481)
Exchange difference	8
As at 31 December 2019	**8,585**
Charge for the year	9,048
Disposals	(2,739)
Exchange difference	1,011
As at 31 December 2020	**15,905**
Carrying amount	
As at 31 December 2019	34,909
As at 31 December 2020	**39,070**

Lease liabilities:

	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Current	8,912	8,558
Non-current	34,210	29,819
Total lease liabilities	**43,122**	**38,377**

27. Leases (continued)

Maturity analysis of lease liabilities is as follows:

	As at 31 December 2020	As at 31 December 2019
	$'000	$'000
Year 1	9,184	9,214
Year 2	8,923	8,276
Year 3	8,858	7,448
Year 4	8,101	6,945
Year 5	6,402	6,217
Onwards	7,709	6,218
Total lease payments	**49,177**	**44,318**
Less: effect of discounting the amounts above	(6,055)	(5,941)
Total lease liabilities	**43,122**	**38,377**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

(ii) Amounts recognised in profit and loss

	Year ended 31 December 2020	Year ended 31 December 2019
	$'000	$'000
Depreciation expense on right-of-use assets	9,048	10,058
Interest expense on lease liabilities (included in Finance cost)	2,204	1,623

The total cash outflow for leases amounted to $10,318,000 (2019: $10,842,000) for the year ended 31 December 2020.

28. *Financial instruments*

The Group is exposed through its operations to the following financial risks:
- Credit risk
- Interest rate risk
- Foreign exchange risk, and
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing these risks or the methods used to measure them within the period, unless specified in this note.

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

- Trade and other receivables
- Settlement receivables
- Contingent consideration receivable
- Restricted cash in respect to customer accounts
- Cash and cash equivalents
- Loans and borrowings
- Contingent consideration payable
- Derivative financial liability
- Trade and other payables
- Funds payable and amounts due to customers

28. Financial instruments (continued)

Financial instruments by category

Financial assets	As at 31 December 2020 Amortised cost $'000	As at 31 December 2020 Fair value through profit & loss $'000	As at 31 December 2019 Amortised cost $'000	As at 31 December 2019 Fair value through profit & loss $'000
Trade and other receivables	194,812	-	193,634	-
Settlement receivables	223,083	-	250,453	-
Contingent consideration receivable	-	151,775	-	164,029
Restricted cash in respect to customer accounts	1,376,236	-	1,147,744	-
Cash and cash equivalents	387,616	-	234,617	-
Total	**2,181,747**	**151,775**	**1,826,448**	**164,029**

Financial liabilities	As at 31 December 2020 Amortised cost $'000	As at 31 December 2020 Fair value through profit & loss $'000	As at 31 December 2019 Amortised cost $'000	As at 31 December 2019 Fair value through profit & loss $'000
Loans and borrowings	6,650,602	-	6,250,474	-
Contingent consideration payable	-	9,563	-	11,449
Derivative financial liability	-	50,198	-	27,467
Funds payable and amounts due to customers	1,552,187	-	1,328,791	-
Trade and other payables	183,904	-	173,031	-
Total	**8,386,693**	**59,761**	**7,752,296**	**38,916**

Financial instruments not measured at fair value within the financial statements
Financial instruments not measured at fair value include trade and other receivables, settlement receivables, restricted cash in respect to customer accounts, cash and cash equivalents, loans and borrowings, trade and other payables, and funds payable and amounts due to customers.

With the exception of loans and borrowings, the carrying values of these financial instruments approximate their fair values due to their short-term nature.

The carrying value of borrowings also approximates its fair value based on market yields for similar debt facilities and observable trading data related to the Company's external borrowings.

Financial instruments measured at fair value
The fair value hierarchy of financial instruments measured at fair value is provided below.

Financial assets measured at fair value	Level 1 $'000	Level 2 $'000	Level 3 $'000
Contingent consideration receivable	-	-	151,775
As at 31 December 2020	**-**	**-**	**151,775**
Contingent consideration receivable	-	-	164,029
As at 31 December 2019	**-**	**-**	**164,029**

28. Financial instruments (continued)

Financial liabilities measured at fair value	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Contingent consideration payable	-	-	9,563
Derivative financial liability	-	50,198	-
As at 31 December 2020	**-**	**50,198**	**9,563**
Contingent consideration payable	-	-	11,449
Derivative financial liability	-	27,467	-
As at 31 December 2019	**-**	**27,467**	**11,449**

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 period. A reconciliation of the movements in level 3 financial instruments in the period is shown in Note 18 and Note 21.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments are set out in the table below. The sensitivity of the contingent consideration receivable to changes in discount rate is disclosed in Note 18. Other than this input, a reasonably possible change in one or more of the unobservable inputs listed below would not change the fair value significantly.

Financial instrument	**Valuation technique used**	**Significant unobservable inputs**
Contingent consideration receivable	Discounted cashflow forecasts	Discount rate and expected cashflows
Contingent consideration payable	Discounted cashflow forecasts	Discount rate and expected cashflows

Credit risk and concentrations

Credit risk is the risk of financial loss to the Group if a consumer or merchant counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, settlement receivables, restricted cash in respect to customer accounts, and trade receivables. The cash and cash equivalents and restricted cash in respect to customer accounts are deposited with different banking partners with a variety of credit ratings and credit exposure are regularly monitored and managed by the Group's safeguarding and treasury committee. Management consider low risk of losses from these financial instruments. Settlement receivables primarily relate to receivables from third party payment institutions arising in the Group's Digital Wallet and certain Integrated Processing businesses, as well as receivables from distribution partners arising in the Group's eCash Solutions business. These receivables are closely monitored on a regular basis and are not considered to arise in material credit risk. The eCash Solutions business utilises insurance and credit limits with its distribution partners to limit its overall gross exposure. Credit quality of a customer and distributor is assessed based on their industry, geographical location and financial background, with credit risk managed based on this assessment (i.e. trading limits, shortened payment period and/or requiring collateral usually in the form of bank guarantees, insurance or cash deposits or holdbacks which can legally be claimed by the Group to cover unpaid receivables). Outstanding trade receivables are regularly monitored to flag any unusual activities such as chargebacks. Having a significant number of consumers and merchants which are geographically widespread and the merchants active in various industries, the exposure to concentration risk is also mitigated. The global credit risk framework allows the Group to forecast under normal business conditions the probability of the occurrence of credit events before they occur. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management.

28. *Financial instruments (continued)*

As at the reporting date, the maximum credit exposure of the Group's financial assets exposed to credit risk amounted to the following:

	Current:	Past due: 1-30 days	Past due: 31-90 days	Past due: more than 90 days
	$'000	$'000	$'000	$'000
As at 31 December 2020				
Cash and cash equivalents	387,616	-	-	-
Settlement receivables	215,792	7,167	-	124
Restricted cash in respect to customer accounts	1,376,236	-	-	-
Trade and other receivables	184,949	3,177	2,208	4,478
Total	**2,164,593**	**10,344**	**2,208**	**4,602**

	Current:	Past due: 1-30 days	Past due: 31-90 days	Past due: more than 90 days
	$'000	$'000	$'000	$'000
As at 31 December 2019				
Cash and cash equivalents	234,617	-	-	-
Settlement receivables	248,529	1,119	472	333
Restricted cash in respect to customer accounts	1,147,744	-	-	-
Trade and other receivables	112,517	77,089	2,629	1,399
Total	**1,743,407**	**78,208**	**3,101**	**1,732**

As at the reporting date, the Group held the following provisions for expected credit losses:

	Stage 1	Stage 2	Stage 3	Simplified approach	Purchased credit-impaired	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2020						
Settlement receivables	-	-	-	5,859	-	5,859
Cash and restricted cash in respect to customer accounts	4,095	-	-	-	-	4,095
Trade other receivables	-	-	-	23,896	1,139	25,035
Total	**4,095**	**-**	**-**	**29,755**	**1,139**	**34,989**

	Stage 1	Stage 2	Stage 3	Simplified approach	Purchased credit-impaired	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2019						
Settlement receivables	-	-	-	4,498	-	4,498
Cash and restricted cash in respect to customer accounts	2,787	-	-	-	-	2,787
Trade and other receivables	-	-	-	15,343	24,964	40,307
Total	**2,787**	**-**	**-**	**19,841**	**24,964**	**47,592**

28. Financial instruments (continued)

An impairment analysis is performed at each reporting date. Impairment charges in respect of the above financial assets are recognised in the Statement of Comprehensive Income under "Net impairment loss on financial assets". Except for cash and restricted cash in respect to customer accounts and chargebacks, the Group has taken the simplification available under IFRS 9 5.5.15 which allows the recognition of the expected credit losses ('ECL') using the simplified approach. Therefore, for these assets, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs. The expected loss rates are based on days past due for groupings of various customer segments with shared credit risk characteristics and are assessed based on the Group's historical credit loss experience or default rates, adjusted for current and forward-looking information that is available (if material). Impairment on cash and restricted cash in respect to customer accounts is calculated based on the financial institutions' (where funds are held) credit default rates obtained from external credit sources, applying the low credit risk simplification where possible.

The Group considers a financial asset in default (and credit impaired) when the payment is past the contractual due date. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group (i.e. bankruptcy and insolvency or negative wallet balances and merchant accounts). A financial asset is generally written off when there is no reasonable expectation of recovering the contractual cash flows (subject to respective geographical end consumer guidelines).

A reconciliation of the provision held for expected credit losses is as follows:

	Trade and other receivables	Settlement receivables	Cash and restricted cash	Financial guarantee contracts
	$'000	$'000	$'000	$'000
Balance at 31 December 2018	**25,615**	**2,916**	**1,771**	**3,970**
Impairment in the year	38,940	1,582	1,016	18,882
Write-off	(24,248)	-	-	(7,431)
As at 31 December 2019	**40,307**	**4,498**	**2,787**	**15,421**
Impairment in the year	43,660	7,936	1,308	1,313
Write-off	(26,912)	(12,050)	-	(93)
Reclassification[1]	1,131	5,475	-	(6,606)
Disposal of subsidiary (See Note 25)	(33,151)	-	-	(2,235)
As at 31 December 2020	**25,035**	**5,859**	**4,095**	**7,800**

[1] Represents the reclassification of the provision for credit losses from a liability to a contra asset upon realization of the accounts receivable related to an off-balance sheet guarantee and other reclassifications.

Increases in credit losses and write offs in 2020 compared to the prior year were primarily attributable to the impact of the global COVID-19 pandemic and the associated impact of macroeconomic conditions. The overall reduction in the allowance for credit losses year on year is mainly attributable to the disposal of Payolution GmbH (see Note 25).

Financial guarantee contracts

The Group issues financial guarantee contracts to its partners within its Integrated Processing business for which the Group is exposed to losses from potential chargeback claims. A significant portion of the Group's exposure to credit risk arises from the threat of chargeback claims against Paysafe directly or Paysafe merchants on card purchases. Chargebacks result in credit exposure to Paysafe when either the merchant or other partners become bankrupt or are otherwise unable to meet their financial obligation. The Group manages the exposure to credit risk by employing various online identification verification techniques, enacted transaction limits, reserves or guarantees held and a number of credit risk management and monitoring tools such as internally developed credit risk calculator, early warning system and daily credit agency (and other third party sources) alerts where potential signs of financial stress on merchants and partners are flagged.

At 31 December 2020 and 2019, financial guarantees were measured at the higher of the ECL or the remaining balance of the premium initially recognized. ECL on chargebacks are determined similarly to those on trade receivables, based on lifetime ECLs. This approach is considered appropriate given the short-term nature of the chargebacks which are typically raised less than 12 months from transaction date, and therefore the 12-month ECLs are typically equivalent to the lifetime ECLs. Expected loss rates are determined by merchant verticals' historical loss rate adjusted by forward looking attributes, which account for the main economic drivers impacting the amount of chargebacks in Integrated Processing division, such as GDP, unemployment rate, consumer confidence index and regulatory risks. A range of possible outcomes of these economic variables are considered and weighed against three scenarios: 70% baseline, 20% upside, and 10% downside.

28. Financial instruments (continued)

The ECL on financial guarantee contracts as at 31 December 2020 was valued at $7,800,000 (2019: $15,421,000). The provision for the financial guarantee contracts was included within "Provisions" in the Group's statement of financial position.

Sensitivity to changes in assumptions

The most significant assumptions included within the ECL model that give rise to estimation uncertainty are that the future credit losses will be reflective of the prior year's credit losses by merchant vertical and the probability weighting of future economic scenarios. The Group believes it is appropriate to use one year of historical loss data to calculate the ECL as management believe that the most recent year of data is most indicative of future results. The Group reviews and updates the historical loss rates as well as macroeconomic factors and ongoing regulatory investigations by merchant vertical on a regular basis to ensure they incorporate the most up to date data in the ECL analysis and capture the potential impact of these factors on the ECL. This approach is considered appropriate as impairment losses on chargebacks are more sensitive to macroeconomic events, rather than customer specific future events, which are unlikely to have a material impact on the overall ECL amount. However, in order to consider the potential for an economic downturn and its adverse effect on the historic loss rates and the Group's overall exposure to credit risk from chargebacks, a sensitivity analysis was performed where ECL provision was calculated based on 100% probability of a downside scenario. Analysis shows that the ECL would increase by $0.5 million (2019: $7.4m).

Interest rate risk

The Group is exposed to interest rate risk to the extent that investment revenue earned on cash and cash equivalents and restricted cash, and interest expense incurred on borrowings, are subject to fluctuations in interest rates. The Group's exposure to interest rate risk is limited as investments are held in liquid and short-term funds. A sensitivity analysis has been performed wherein an increase of 100 basis points in interest rates offered on the bank borrowings would result in a $30,662,000 (2019: $24,420,000) unfavourable impact on net earnings while a decrease of 100 basis points would result in a $30,656,000 (2019: $24,345,000) favourable impact on net eamings related to the Group's borrowings.

Currency risk

The Group is exposed to currency risk due to financial assets and liabilities denominated in a currency other than the functional currency, primarily the Great Britain Pound ("GBP"), the Euro ("EUR"), the Canadian Dollar ("CAD"), the Norwegian Krone ("NOK"), the Swiss Franc ("CHF"), the Swedish Krona ("SEK") and the Polish Zloty ("PLN"). The Group manages the exposure to currency risk by commercially transacting in US dollars and by limiting the use of other currencies for operating expenses, wherever possible, thereby minimising the realised and unrealised foreign exchange gain or loss.

The Group's exposure to foreign currency at the reporting date was as follows:

	GBP	EUR	CAD	NOK	CHF	SEK	PLN	AUD
As at 31 December 2020								
Cash and cash equivalents and Restricted cash in respect to customer accounts	90,064	1,082,914	22,915	21,475	33,595	12,024	15,849	11,863
Settlement receivables	25,634	145,311	3,169	4,343	12,474	1,142	2,500	2,337
Trade and other receivables	18,895	5,171	8,942	-	37	15	244	111
Contingent consideration receivable	151,775	-	-	-	-	-	-	-
Trade and other payables	(14,147)	(18,860)	(93,328)	(335)	(307)	(123)	-	(429)
Funds payable and due to customers	(100,799)	(935,508)	(16,106)	(18,085)	(36,991)	(10,730)	(16,921)	(10,941)
Loans and borrowings	-	(1,511,894)	-	-	-	-	-	-
Total	**171,422**	**(1,232,866)**	**(74,408)**	**7,398**	**8,808**	**2,328**	**1,672**	**2,941**

	GBP	EUR	CAD	NOK	CHF	SEK	PLN
As at 31 December 2019							
Cash and cash equivalents and Restricted cash in respect to customer accounts	148,655	743,640	20,499	17,309	17,978	12,408	20,653
Settlement receivables	12,548	194,478	1,275	-	765	2,631	1,087
Trade and other receivables	41,660	60,893	9,744	5	7,679	22	239
Contingent consideration receivable	164,029	-	-	-	-	-	-
Trade and other payables	(510)	(73,511)	(6,192)	-	(2,672)	(4)	(20)
Funds payable and due to customers	(65,656)	(861,729)	(4,894)	(13,973)	(8,459)	(10,557)	(16,854)
Loans and borrowings	-	(1,437,406)	-	-	-	-	-
Total	**300,726**	**(1,373,635)**	**20,432**	**3,341**	**15,291**	**4,500**	**5,105**

28. Financial instruments (continued)

As at 31 December 2020, had the US dollar strengthened by 1% in relation to all the other currencies, with all other variables held constant, the net assets of the Group would have been decreased in both profit and equity by $2.5 million (2019: $25.0 million). A weakening of the US dollar by 1% against the above currencies would have had an equal and opposite effect.

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due. Management controls and monitors the Group's cash flow on a regular basis, including forecasting future cash flows. The Group's objective to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet the liabilities when they become due.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments using the period-end spot rate for all items denominated in a foreign currency:

	Carrying amount	Total (undiscounted cashflows)	On demand	Less than one year	One to five years	More than five years
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2020						
Funds payable and amounts due to customers	1,552,187	1,552,187	1,552,187	-	-	-
Loans and borrowings	6,650,602	7,990,274	-	164,738	7,315,717	509,819
Trade and other payables	183,904	183,904	182,936	-	968	-
Derivative financial liability	50,198	50,198	-	2,651	47,547	-
Contingent consideration payable	9,563	9,563	-	5,820	3,743	-
Total	**8,446,454**	**9,786,126**	**1,735,123**	**173,209**	**7,367,975**	**509,819**

	Carrying amount	Total (undiscounted cashflows)	On demand	Less than one year	One to five years	More than five years
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2019						
Funds payable and amounts due to customers	1,328,791	1,323,817	1,323,817	-	-	-
Loans and borrowings	6,250,474	8,124,342	-	170,903	4,818,674	3,134,765
Trade and other payables	173,031	173,699	173,699	-	-	-
Derivative financial liability	27,467	27,467	-	-	27,467	-
Contingent consideration payable	11,449	11,449	-	6,684	4,765	-
Total	**7,791,212**	**9,660,774**	**1,497,516**	**177,587**	**4,850,906**	**3,134,765**

The Group holds cash and cash equivalents, restricted cash in respect to customer accounts and settlement receivables totalling $1,986.9 million (2019: $1,632.8 million) as well as trade and other receivables of $194.8 million (2019: $193.6 million). The Group also has available $225.0 million (2019: $148.1 million) from its revolving credit facility. Given the Group's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Group's liquidity risk to be low.

Risk management assets and liabilities
Risks are identified, evaluated and mitigated through a combination of a "top down" approach primarily driven by the Board's Risk Oversight Committee which is responsible for the preparation and assessment of the risk management system and reports to the Board of Directors. The Risk Oversight Committee supports the Chief Risk Officer in the provision of oversight and challenge of the system and controls of risk management and escalates matters to the Risk Oversight Committee. There are also divisional level committees that have been established to manage risk at a divisional level. The Group Internal Audit function undertakes regular reviews of the controls that are in place to mitigate risk. The Group also operates a 'Three Lines of Defence' model to ensure the effectiveness of the organisation's risk management framework. The Board of Directors reviews and agrees policies for managing each risk type as well as monitors and reports on risk mitigation and breaches to the Group Risk Appetite. The Group enters into financial instruments through forward currency contracts that fix the net asset or liability position for significant currencies held on the statement of financial position.

Capital disclosure
The Group's capital structure is comprised of shareholders' equity, shareholder loans from the immediate parent company, contingent consideration as well as secured credit facilities as required to fund business and asset acquisitions. The Group's objective when managing its capital structure is to finance internally generated growth and maintain financial flexibility including access to capital markets. To manage its capital structure the Group may adjust capital spending, issue new shares, or acquire short-term financing.

29. Parent company profit for the year

As permitted by s408 of the Companies Act 2006, no separate profit or loss account or statement of comprehensive income is presented in respect of the Company. The loss attributable to the Company is disclosed in the footnote to the Company's balance sheet.

30. Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

	$'000
Cost and carrying value	
As at 31 December 2019	-
Additions	-
As at 31 December 2020	-

Details of the Company's principal subsidiaries as at 31 December 2020 and 2019 are noted below. The Company's proportion of ownership and voting interest is 100% for all subsidiaries other than Skrill USA Inc.

Name of Subsidiary	Place of incorporation and operation	Principal activity
Direct subsidiaries:		
Paysafe Group Holdings III	England and Wales	Financing
Indirect subsidiaries:		
1155259 Alberta Limited	Canada	Financing[1]
9557911 Canada Inc.	Canada	Dormant[2]
Cardload Incorporated	Canada	Dormant[1]
cpt Dienstleistungen GmbH	Germany	Distribution services
Digital Payment Solutions Australia PTY Limited	Australia	Dormant
Digital Payment Solutions New Zealand Limited	New Zealand	Straight-through processing/transfer of funds between online merchants and card acquirers[3]
Digital Payments Europe Limited	England and Wales	Electronic money transfer services
Ecom Access Inc.	Canada	Design, development & implementation of marketing software
Ecom Access Limited	England and Wales	Design, development & implementation of marketing software[3]
Flagship Merchant Services LC	United States	Full service payment processing
Global Merchant Advisors LLC	United States	US sales company
IA Digital Marketing Inc.	Canada	Digital marketing service company
Income Access Limited	England and Wales	In liquidation
iPayment Holdings Inc	United States	Holding company[4]
iPayment Inc.	United States	Full service payment processing[5]
Leaders Merchant Services LLC	United States	Full service payment processing
MAC Limited	Gibraltar	Merchant services
MB Acquisitions Limited	England and Wales	Dormant[11]
MB Employee Nominees Limited	England and Wales	In liquidation
MCPS Partners LLC	United States	Payment processing services[5]
Merchant Choice Payment Solutions of Florida LLC	United States	Dormant[3]
NBS Acquisition LLC	United States	Holding company[6]
Net Group Holdings Limited	Isle of Man	Holding company
NT Services Building Corporation	Canada	Property leasing company[1]
NT Services Limited	Canada	Employment and administration
Openbucks Corporation	United States	Issuing, distribution & merchant services[7]
Optimal Payments (Bulgaria) EOOD	Bulgaria	Call centre and customer support
Optimal Payments Services Inc.	United States	US-based money transmission services (applicable licences pending)
Payolution GmbH	Austria	Payment facilitator enabling online merchants to offer their customers payments solutions[10]

30. Investments in subsidiaries (continued)

Name of Subsidiary	Place of incorporation and operation	Principal activity
Payolution Schweiz GmbH	Switzerland	Payment facilitator enabling online merchants to offer their customers payments solutions[12]
Pays Services India LLP	India	Indian development centre
Pays Services Italy S.r.l.	Italy	Back office services to Digital Wallets business
PAYS Services UK Limited	England and Wales	Sales and administration services
Paysafe Bulgaria EOOD	Bulgaria	Consultancy, development & implementation of software company
Paysafe Capital, LLC (formerly known as iPayment Capital LLC)	United States	Holding company
Paysafe Digital Solutions Limited	England and Wales	Dormant[3]
Paysafe Finance (Ireland) Unlimited	Ireland	In liquidation[8]
Paysafe Finance (US) LLC	United States	Dormant[3]
Paysafe Finance Limited	Isle of Man	Dormant[3]
Paysafe Financial Services (Canada) Inc. (formerly Skrill Canada Inc.)	Canada	Dormant
Paysafe Financial Services Limited	England and Wales	Authorised e-money issuer
Paysafe Group Limited	Isle of Man	Holding company
Paysafe Holdings (US) Corporation	United States	Holding company
Paysafe Holdings UK Limited	England and Wales	Holding company
Paysafe Japan KK	Japan	Japanese sales company[3]
Paysafe Loans LLC	United States	Financing[4]
Paysafe Merchant Services Corporation	United States	US sales company
Paysafe Merchant Services Inc.	Canada	Canadian sales company
Paysafe Mergerco US Corp	United States	Holding company[4]
Paysafe Midco Limited	England and Wales	In liquidation
Paysafe Direct LLC (formerly known as Paysafe Partners LP)	United States	Full service payment processing
Paysafe Payment Processing Solutions LLC	United States	Full service payment processing
Paysafe Payment Services LLC	United States	US sales company[9]
Paysafe Payment Solutions Limited	Ireland	E-money and digital wallet payment services
Paysafe Prepaid Services Limited	Ireland	Prepaid payment services
Paysafe Processing Limited	England and Wales	Full-service payment processing
Paysafe RT, LLC	United States	Dormant[4]
Paysafe Services (Canada) Inc.	Canada	Canadian support company
Paysafe Services (US) Corporation	United States	Full service payment processing[5]
Paysafe Services Australia Ltd	Australia	Australian sales company
Paysafe Services Lending LLC	United States	Dormant[5]
Paysafe Technologies Inc.	Canada	Canadian technology/development company
Paysafe Technology Services Austria GmbH	Austria	Technology services
Paysafe Technology Services Germany GmbH	Germany	Technology services
Paysafe Trading Limited	England and Wales	Trading company[13]
Paysafe US Holdco Limited	England and Wales	Holding company
paysafecard On Odeme Servisleri Limited Sirketi	Turkey	Issuing, distribution & merchant services
paysafecard.com Argentina S.R.L.	Argentina	Issuing, distribution & merchant services
Paysafecard.com Deutschland Zweignied Er Lassung Der Prepaid Services Company Limited	Germany	Issuing, distribution & merchant services[10]
PAYSAFECARD.COM INDIA PRIVATE LIMITED	India	Issuing, distribution & merchant services[13]
paysafecard.com MENA DMCC	United Arab Emirates	Issuing, distribution & merchant services
paysafecard.com Mexico S.A. de C.V.	Mexico	Issuing, distribution & merchant services
paysafecard.com Schweiz GmbH	Switzerland	Issuing & distribution services
paysafecard.com USA Inc.	United States	Distribution & merchant services

30. Investments in subsidiaries (continued)

Name of Subsidiary	Place of incorporation and operation	Principal activity
paysafecard.com Wertkarten GmbH	Austria	Consultancy, development & implementation of software company
paysafecard.com Wertkarten Vertriebs GmbH	Austria	Distribution & merchant services
Petroleum Card Services LLC	United States	Full service payment processing[6]
Pi Lux Finco S.A.R.L.	Luxembourg	Debt issuing services
Pi UK Bidco Limited	England and Wales	Holding company
Pi US Borrowreco Inc.	United States	Investment company
Prepaid Services Company Limited	England and Wales	Authorised e-money issuer, distribution & merchant services
Rapid Transfer Limited (formerly Skrill International Payments Limited)	England and Wales	Consultancy services company
Sabemul Beteiligungsverwaltungs GmbH	Austria	Holding company
Sentinel BIDCO Limited	England and Wales	Dormant[11]
Sentinel Holdco 2 Limited	England and Wales	In liquidation
Sentinel MIDCO Limited	England and Wales	In liquidation
Sentinel TOPCO Limited	Jersey	Dormant[3]
Skrill Capital UK Limited	England and Wales	Dormant[11]
Skrill Group Limited	Jersey	Dormant[3]
Skrill Holdings Limited	England and Wales	Holding & consultancy services company
Skrill Hong Kong Limited	Hong Kong	Dormant
Skrill Limited	England and Wales	Authorised e-money issuer
Skrill Services GmbH	Germany	Consultancy services company
Skrill Singapore Pte. Limited	Singapore	Dormant
Skrill USA, Inc.	United States	Digital wallet payments services [14]
Smart Voucher Limited	England and Wales	E-money transfer services[3]

[*] *Shares held are ordinary shares.*
[1] Merged into NT Services Limited during the year
[2] Merged into IA Digital Marketing Inc. during the year
[3] Entity was dissolved during the year
[4] Merged into Paysafe Holdings (US) Corporation during the year
[5] Merged into Paysafe Payment Processing Solutions LLC during the year
[6] Merged into iPayment Inc. during the year
[7] Entity was acquired during the year
[8] Entity was liquidated in the year
[9] Merged into Optimal Payments Services Inc during the year
[10] Entity was sold during the year
[11] For the year ended 31 December 2020, these subsidiaries of the Company were entitled to exemption from audit under s480 of the Companies Act 2006 relating to dormant companies.
[12] Merged into paysafecard.com Schweiz GmbH during the year
[13] Entity was incorporated during the year
[14] The Group concluded that it has control over Skrill USA, Inc. ("Skrill USA") and thus consolidation is required. Under the terms of a 2015 agreement for the sale and purchase of the original family of Skrill-related entities, Skrill USA was separated from the group of entities as a result of U.S. regulatory considerations. Skrill Limited, an entity of Paysafe, has a market support arrangement which supports the business and operations of Skrill USA for the purpose of expanding the Skrill brand and business in the U.S. market. In addition, Skrill Limited and Optimal Payment Services Inc., both Paysafe entities, have an outsourcing arrangement with Skrill USA for a license to offer money transfer and related services in the U.S. market. As such, the Group determined that it has power over Skrill USA and exposure to its variable returns. The assets, liabilities, and results of operations of Skrill USA are included in the Group's consolidated financial statements for all years presented. On 29 May 2020, Paysafe Group Holdings Limited (the Company's indirect parent company) acquired 100% of the share capital of Skrill USA. Paysafe Group Holdings Limited interest in Skrill USA is presented as non-controlling interest in the Group's financial statements.

31. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group. The compensation expense for transactions with the Group's key management personnel consists of the following:

	Year ended 31 December 2020 $'000	Year ended 31 December 2019 $'000
Short-term employee benefits	10,325	11,047
Post-employment benefits	184	182
Termination benefits	1,618	-
Share-based payments	20,342	13,533
Total	**32,469**	**24,762**

The termination benefits paid to key management personnel in the prior year is in respect of directors.

Balances and transactions with related parties
The **Group** has the following related party balances at the year end:

	Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31 December 2020 $000	Year ended 31 December 2019 $000	Year ended 31 December 2020 $000	Year ended 31 December 2019 $000
Immediate parent company	31,585	-	3,388,095	3,056,342
Ultimate parent company	4,455	23,256	-	-
Indirect parent company	1,776	1700	-	-
Director	-	7,333	-	-
Affiliates	44	1,199	-	-
Total	**37,860**	**33,488**	**3,388,095**	**3,056,342**

Immediate parent company
The amount owed to the immediate parent company is comprised of a shareholder's loan and carries interest at 12% per annum, maturing in January 2043. In the year, the Company repaid $34,390,000 (2019: $77,068,000) of the principal amount.

During the year the Group entered into an interest-bearing loan for a principal amount of $11,156,000 with its immediate parent company, which was used to fund the acquisition of Skrill USA by Paysafe Group Holdings Limited (the Company's indirect parent company) completed in May 2020.

The remaining receivable balance arose during the year in connection with the transactions explained below, under sections 'Ultimate parent company' and 'Other'.

Ultimate parent company
Payments due in the year of £21,002,000 ($27,158,000) and prior year of £36,978,000 ($47,143,000) arising from the contingent consideration receivable have been made directly to Pi Jersey Topco Limited, the Group's ultimate parent company (Note 18). In the year, an amount of $34,390,000 (2019: $77,068,000) of this receivable was settled in connection with the repayment of the shareholders loan payable to the Group's immediate parent company. The outstanding receivable at 31 December 2020 is $4,455,000 (2019: $12,903,000).

In June 2019, the Group sold a subsidiary to its ultimate parent company in exchange for a loan receivable, with a principal amount of $9,486,000, which carries interest at 4% + LIBOR per annum and is payable in June 2024. The remaining receivable due from the ultimate parent company in the prior year, of $726,691 was due on demand.

During the year, the Group transferred these loans to Pi Jersey Holdco 1.5 Limited, in exchange for an interest-bearing loan with the immediate parent company.

31. Related party transactions (continued)

Other
The loan granted to a director of the Group carries interest at 4.5% per annum; GBP 2,800 was repayable in January 2021 and the remaining outstanding balance is repayable on Exit (defined as an IPO, winding-up or completion of a Sale). During the year, the Group transferred this loan to Pi Jersey Holdco 1.5 Limited, in exchange for an interest-bearing loan with the immediate parent company.

The amount due from an indirect parent company of $1,776,000 (2019: $1,770,000) is due on demand.

Transactions with related parties are made on terms and conditions equivalent to those applied in transactions with third parties.

The **Company** has the following related party balances at the year-end:

	Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
	$000	$000	$000	$000
Immediate parent company	-	-	3,388,095	3,056,342
Subsidiaries	3,388,212	3,056,342	2,306	187
Total	**3,388,212**	**3,056,342**	**3,390,401**	**3,056,529**

Immediate parent company
The amount owed to the immediate parent company is a shareholder's loan and carries interest at 12% per annum, maturing in January 2043. In the year, the Company repaid $34,390,000 (2019:$77,068,000) of the principal amount.

Subsidiaries
The amount due from subsidiaries is a shareholder's loan and carries interest at 12% per annum, maturing in January 2043. In the year, the Company was repaid $34,390,000 (2019:$77,068,000) of the principal amount.

Controlling party
At the balance sheet date, the immediate parent company was Pi Jersey Holdco 1.5 Limited and the ultimate parent company of the Group was Pi Jersey Topco Limited. At the balance sheet date there is no ultimate controlling party of the Group.

The registered address of Pi Jersey Topco Limited is 1 Waverley Place Union Street, St Helier, Jersey, JE1 1SG.

32. Events after the balance sheet date

Contingent consideration receivable
On 29 March 2021, a series of transactions were completed for the purpose of transferring to Pi Jersey Topco Limited the right to receive the payments under the contingent consideration receivable. As part of this, the Group entered into an interest-bearing loan note with Pi Jersey Holdco 1.5 Limited with principal amount of $158,519,000 and payable in July 2024. As a result, the Group no longer holds the contingent consideration receivable.

Merger with Foley Trasimene Acquisition Corp. II ("FTAC")
On 30 March 2021, management announced the completion of a merger with FTAC, a special purpose acquisition company (the "Transaction"). In conjunction with the Transaction, Paysafe Group Holdings Limited (direct subsidiary of Pi Jersey Topco Limited and previously an indirect parent of the Company) transferred the Paysafe Group to Paysafe Limited in exchange for cash and share consideration. Paysafe Limited then completed the merger with the FTAC. As a result of this Transaction, the Company's ultimate parent company is now Paysafe Limited instead of Pi Jersey Topco Limited.

As part of the Transaction, the Group repaid $1,163 million under its credit facilities, fully repaying its Second Lien Term Loan and partially repaying its First Lien Term Loan, which now consists of a $1,081 million USD Facility and a €839 million EUR Facility. All other terms remain unchanged, including interest rates and maturity. The repayment was funded via interest-bearing loans granted by FTAC to the Group, maturing in December 2024.

Further, the Transaction qualified as an Exit Event under the share-based payment Plan, which resulted in the full vesting of all outstanding A ordinary shares and B ordinary shares that had been granted to the Group's employees. As a result, a share-based payment expense of $22m is recorded at the Transaction date.

International Card Services LLC acquisition
In March 2021, the Group completed the acquisition of International Card Services, LLC, for cash consideration of $23,505,000 with an additional contingent earnout to be paid in future periods based on achieving earnings targets. The preliminary estimate of the total expected consideration including earnouts is $28,577,000. The acquisition was accounted for as a business combination.

Appendix I – Alternative performance measures

In the discussion of the Group's reporting operating results, alternative performance measures (APMs) are presented to provide readers with additional financial information that is regularly reviewed by management to assess the financial performance or financial health of the Group, or is useful to users of the financial statements to assess the Group's performance and position. Accordingly, it may not be comparable with similarly titled measures or disclosures by other companies. Certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted IFRS measure. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure. Below, we have outlined definitions and explanations for the APMs used in the directors' report, as well as reconciliations to the closest equivalent IFRS measure where appropriate.

Adjusted EBITDA

Adjusted EBITDA is defined as results of operating activities before depreciation and amortisation, finance income and costs, share-based payment expense, foreign exchange gains and losses, impairment loss on intangible assets, gains and losses on disposals of assets, and gains and losses on contingent consideration payable. These adjustments generally relate to non-cash items which by their nature are volatile, vary significantly based on factors outside the Group's control including foreign exchange rates. It is also adjusted for exceptional or non-recurring items which are defined as items of income and expense of such size, nature or incidence that, in the view of management, are not reflective of the underlying performance of the Group and should be disclosed to explain the performance of the Group. In the current and prior year, these exceptional, non-recurring items primarily relate to acquisition and restructuring costs.

Adjusted EBITDA is not a financial measure calculated in accordance with IFRS as adopted by the EU. The presentation of these financial measures may not be comparable to similarly titled measures reported by other companies due to the differences in the ways the measures are calculated.

	Year ended 31 December 2020 $'000	**Year ended 31 December 2019 $'000**
Profit/(loss) before tax	(578,445)	(501,752)
Depreciation and amortisation	283,707	289,984
Finance costs (Note 10)	564,037	525,339
Finance income (Note 11)	(11,105)	(28,524)
Share based payment expense (Note 26)	26,291	16,704
Foreign exchange loss	18,806	3,279
Other gains and losses	5,943	-
Impairment loss on intangible assets	116,126	122,708
Profit on disposal of subsidiary	(13,137)	(4,828)
Loss on disposal of assets	416	51
Exceptional costs (see below)	20,641	54,695
Adjusted EBITDA from continuing operations	**433,280**	**477,656**

Exceptional costs

In the year, the Group has incurred certain costs that management view as exceptional. Exceptional costs are non-recurring items of such size, nature or incidence that, in the view of management, should be disclosed to aid users of the financial statements assess the underlying operational performance of the Group as part of the Strategic Report. Acquisition costs relate to costs incurred by the Group on M&A activity. In the current year, the acquisition costs incurred primarily relate to the disposal of Payolution GmbH (see Note 25) and the acquisition of Openbucks (see Note 24). In the prior year, they mainly relate to the disposal of Paysafe UK GOLO Holdco Limited (see Note 25).

Restructuring and strategic transformation costs relate to costs incurred in the delivery of the Value Creation Plan, and professional costs associated with developing a post-Brexit operating structure and associated tax planning. Other exceptional costs primarily relate to professional costs arising from projects linked to the future corporate strategy.

The Group incurred the following costs:

	Year ended 31 December 2020 $'000	**Year ended 31 December 2019 $'000**
Acquisition costs	3,280	1,146
Restructuring and strategic transformation costs	14,466	31,063
Other exceptional costs	2,895	22,486
Total exceptional costs	**20,641**	**54,695**

Appendix I – Alternative performance measures (continued)

Payments working capital

In the course of the Group's business activities, the Group holds funds that either have been received from customers in exchange for the issuance of 'e-money' or are owed to merchants and have been received by the Group in the transaction settlement cycle.

These balances can fluctuate significantly on a daily basis and therefore the Group closely monitors the total net position of these balances to assist management in its assessment of the Group's liquidity, available funds and working capital after deducting for these items.

The Group refers to this overall total position as payments working capital. Payments working capital includes settlement receivables, restricted cash in respect to customer accounts, and funds payable and amounts due to customers.

Payments working capital is a non-GAAP measure and therefore not a financial measure calculated in accordance with IFRS as adopted by the EU.

The **Group's** payments working capital is as follows:

	As at 31 December 2020	**As at 31 December 2019**
	$'000	**$'000**
Settlement receivables	223,083	250,453
Restricted cash in respect to customer accounts	1,376,236	1,147,744
Payments working capital current assets	**1,599,319**	**1,398,197**
Funds payable and amounts due to customers	1,552,187	1,328,791
Payments working capital current liabilities	**1,552,187**	**1,328,791**
Total payments working capital	**47,132**	**69,406**