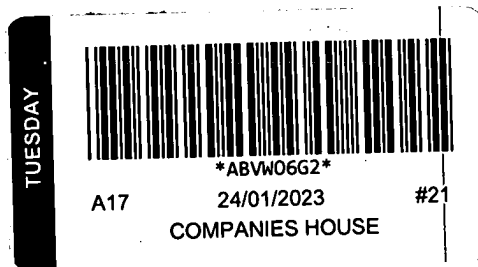


PAYSAFE FINANCIAL SERVICES LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2021

Company Registration No. 4478861 (England and Wales)



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PAYSAFE FINANCIAL SERVICES LIMITED
COMPANY INFORMATION

Directors

Elliott M Wiseman
Alan Osborne
Rachel McShane
Chirag Patel
Giacomo Dummond Austin

Company secretary

Natalie Humberstone

Registered office

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London
E14 5LQ

Registered auditor

Deloitte LLP
Four Brindley place
Birmingham
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PAYSAFE FINANCIAL SERVICES LIMITED
STRATEGIC REPORT
31 December 2021

Strategic report

The directors present their Strategic report on Paysafe Financial Services Limited for the year ended 31 December 2021.

Principal activities

The Company is one of the leading digital money companies, operating an independent e-wallet and payment processing platform. It has been authorised and regulated by the Financial Conduct Authority ("FCA"), to operate as an e-money issuer. This simple e-wallet enables any customer to make online payments conveniently and securely without revealing personal financial data, and to send and receive money transfers cost-effectively. Acquiring provides the ability to accept online payments through our processing platform, partnering with a network of many banks, processing providers and processing partners, ensuring all payments are processed securely, efficiently and adhere to all industry requirements. The Issuing business allows external programs to issue and offer prepaid cards to their customers.

Business review

The Company continued to deliver profits and positive cash flows, despite the headwinds from the Covid-19 pandemic. The focus of the business remains to achieve the right balance between continuing to meet the needs and expectations of our customers, shareholders and other stakeholders while making sufficient profit to support our growth plans, by controlling our costs and managing our cash efficiently. The directors continue to invest in the business, in line with our strategic objectives.

Results: Revenue and Gross Profit

	2021 US\$'000	2020 US\$'000
Neteller*:		
Turnover	66,761	124,868
Gross Profit	50,420	98,439
Gross Profit Margin	75.5%	78.8%
Acquiring and STP*:		
Turnover	14,445	17,423
Gross Profit	9,717	9,716
Gross Profit Margin	67.3%	55.8%
Issuing*:		
Turnover	5,920	7,146
Gross Profit	1,066	1,099
Gross Profit Margin	18.0%	15.4%

**Revenue and Gross Profit of Acquiring and STP are presented excluding recharges to related parties mainly for back-office services at the amount of US\$4,199,000 (2020: US\$4,210,000).*

PAYSAFE FINANCIAL SERVICES LIMITED
STRATEGIC REPORT
31 December 2021

The Company's Neteller Division provides businesses and individuals with a fast, simple and secure way to transfer money online. Revenue decreased to US\$66,761,000 (2020: US\$124,868,000). This decrease was partially due to transfer of the EEA business to a related company as part of Brexit, as well as the impact of operational updates to our client take on procedures. The transfer of the EEA business on 4th August 2020 resulted in loss of US\$19,000,000 revenue in the Company for 2021. There was a decrease in merchants' activity across different business segments including gambling and financial markets with an effect of US\$26,000,000. There were additional risk restrictions and regulatory requirements in certain markets resulting in a further decrease of US\$7,000,000.

Additionally during the year, the coronavirus outbreak has continued to disrupt the social and economic life worldwide. The pandemic affected mainly Neteller's revenue and slowed growth without impacting the profitability and the cash generation of the division. However, an estimate of the full extent to which COVID-19 has impacted the Company's financial results cannot be reasonably made.

Payment Processing Division (Acquiring and STP) realized a decrease in revenue in comparison to prior year, generating US\$14,445,000 (2020: US\$17,423,000) as we continued to see lower volumes in the travel & hospitality business due to the impact of Covid 19. Additionally the decrease is caused by the Brexit transfer of the EEA business, without it the division would have continued with its revenue growth. Through its own UK and European licenses, this division helps businesses accept credit and debit card (Visa and Mastercard), bank transfer and direct debit payments from consumers with the option to integrate various other in-house and third-party payment methods.

The Card Solutions Division – otherwise known as Issuing – enables businesses to set up prepaid card programs, whether by an employee payroll card, a consumer currency card or a bespoke mobile payment solution. During the year, revenue for this division decreased by US\$1,226,000 to US\$5,920,000 due to exit of external customers and lower intercompany revenue (2020: US\$7,146,000). The transfer of the EEA business on 4th August 2020 resulted in loss of US\$100,000 revenue in the Company for 2021.

Despite the impacts of Brexit and Covid-19, the Company has had a satisfactory year. The board remains committed to the Company's existing strategy and the vision and believe that the objectives currently being pursued will lead to improvements in the business performance and results over the medium term. The key focus is set on maximising the operational potential of the business and looking for complementary opportunities that will add value to our product. Excellence in customer experience across verticals and all payment products as well as added value and innovation remain a key focus of the business. This will improve the Company's competitiveness by further strengthening and differentiating its customer offering.

Disclosure of principal risks and uncertainties

The directors identified several risks which they believe may affect the Company's ability to deliver its strategic goals. A list of these risks is given below. This list does not purport to be an exhaustive summary of the risks affecting the Company, is given in no particular order of priority and contains risks considered to be outside of the control of the directors.

PAYSAFE FINANCIAL SERVICES LIMITED

STRATEGIC REPORT

31 December 2021

Regulatory

The Company, being a regulated firm in the UK accepting customers from a large number of countries, always faces some uncertainty with regards to the regulatory requirements of those countries. It also has to comply with applicable electronic money regulations, implementation of PSD2, importantly, Strong Customer Authentication (SCA), and money laundering legislation. The Company holds large amount of funds on behalf of its customers and will have to ensure it keeps its high standards of internal checks and balances as well as IT and customer account security. As part of its legal and regulatory compliance the Company faces the challenge of reacting to and implementing legal and regulatory changes quickly. As part of our risk management approach, the directors continue to monitor regulatory developments in current markets and take appropriate measures should the risk in any particular market change significantly. The Company continues to assess the legal and regulatory requirements of jurisdictions in which it operates. The directors are very careful to operate within the legal and regulatory framework that governs our trade/sector.

The second Electronic Money Directive (Directive 2009/110/EC) requires electronic money issuers in Europe to obtain authorisation from the relevant financial services authority in their home Member State which is responsible for regulating issuers of electronic money. The Company is currently authorised in the UK by the FCA under the Electronic Money Regulations for the issuing of Electronic money and has been successfully re-authorised under the 2nd Payment Services Directive (Directive 2015/2366 EC).

Anti-money laundering regulations

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

Privacy

The Privacy function at Paysafe has expanded its programme since GDPR came into law in May 2018. The team has grown from 3 permanent employees to 16 as at 31 December 2021 and provides advice and oversight of Paysafe globally. The Privacy Framework outlines a second line of defence oversight function as part of the Legal function and provides advice to and oversight of business processes (run by the first line) and carries out Assurance activities to ensure business compliance with global Privacy laws as per the Paysafe Global Privacy Policy and Privacy Standards.

Key initiatives have been: the roll out of 'Privacy by Design' requirements (Standard 1, Think Privacy) to all large and small change teams at Paysafe where Privacy review is built into the planning of new processes/products/services or updates of current ones; Privacy risk assessment of new work through presentation of a Privacy Impact Assessment 'PIA' through OneTrust tooling (see below); completion of supplier reviews for all EU suppliers including due diligence of Privacy and Information Security controls, review of data transfers and updated contracts; the roll out of Privacy requirements into all supplier onboarding globally where personal data is in scope; presentation of mandatory training for employees globally on the Paysafe 'Privacy Standards' which operationalise the Global Privacy Policy; roll out of specialist online Privacy Tooling (OneTrust) to deliver all Privacy Impact Assessments, capture of supplier details and linkage with Article 30 data mapping/records of processing (mandatory under GDPR) into a scalable, integrated solution, control of

PAYSAFE FINANCIAL SERVICES LIMITED
STRATEGIC REPORT
31 December 2021

Disclosure of principal risks and uncertainties (continued)

Privacy (continued)

Cookies delivery on websites (and applicable tracking technology in Apps), presentation of a user control panel and separate marketing preference centre offering product/channel marketing choices; has advised the business on processes to comply with all 'rights requests' under GDPR, UK Data Protection Act, PIPEDA (Canada) and CCPA (California) including second line oversight by Privacy; development of MI to demonstrate compliance with Privacy Standards; Privacy representation on all BU Risk Committees; integration of Privacy issues into ERM risk framework; linkage with Information Governance activities on data retention and updates of the data breach/privacy incident processes with SOC Team.

Fraud risk

The Company is vulnerable to the compliance and fraud threats faced by all payment's businesses. Management is aware of the importance of having robust KYC procedures and on-going monitoring of suspicious transactions in place. Fraud risk is mitigated by a dedicated Consumer Risk department utilising highly skilled fraud managers and fraud detection technologies that are both developed in-house and outsourced where considered appropriate.

Security and Data Protection

Paysafe has a dedicated Information Security Management function, led by Paysafe's Chief Information Security Officer. The confidentiality, integrity and availability of information is managed carefully from a people, process and technology perspective. Security technologies and processes have been implemented to provide defensive security layers across the IT systems and business processes, and these are monitored on a 24/7 basis by our dedicated Security Operations Centre. Security measures are continuously assessed and enhanced, in line with an ever-increasing cyber threat landscape. The risk-based security control environment supports the main control frameworks, including PCI-DSS compliance, which is regularly and thoroughly tested by independent parties and external audits.

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

The availability of the Company's products and services depends on the continuing operation of its information technology and communication systems. The systems may be subject to damage or interruption from floods, fires, power loss, telecommunication failures, computer viruses, terrorist attacks, computer denial of service attacks, or other attempts to harm the systems. The data centres could also be subject to break-ins, sabotage and intentional acts of vandalism and to potential disruptions if the operators of these facilities have financial difficulties. The Group's disaster recovery planning cannot account for all eventualities. The occurrence of a natural disaster, the closure of a facility or other unanticipated problems at the data centres could result in lengthy interruptions in service. To mitigate against the above risks, the Group has two separate server locations with complete component redundancy built into the infrastructure at each data centre. Transaction data is replicated at regular intervals to standby databases at the two sites. The current failover configuration enables the payment platform to be switched over from the primary data centre to the disaster recovery facility. Production data is also saved to encrypted backup media in the disaster recovery data centre as an additional contingency measure. Since 2021 it has been actively working on utilizing cloud services in several availability zones.

PAYSAFE FINANCIAL SERVICES LIMITED
STRATEGIC REPORT
31 December 2021

Disclosure of principal risks and uncertainties (continued)

Bank concentration risk

The Company has a policy of holding cash and cash equivalents only in countries and credit institutions with credit rating above investment grade. Based on credit ratings, percentage of cash, cash equivalents or investment securities held in a single country outside of United Kingdom varies between 21.5% to 60%. Percentage of cash, cash equivalents or investment securities held in a single credit institution varies between 21.5% to 40% depending on the credit rating of the institution. The Safeguarding and Treasury Committee must prior approve, and the Board must be notified of any investments that are held in countries or credit institutions which are rated below investment grade.

Fluctuations in currency exchange rates and transactional risks

Although the Company's reporting currency is the USD, a significant proportion of the Company's revenue and costs are generated in non-USD denominated currencies. The Company currently conducts transactions in 31 currencies and holds liquid assets, including its e-money float, in multiple currencies, primarily Euros, US Dollars and Pounds Sterling. This exposes the Company to risks arising from fluctuations in foreign currency exchange rates. The Company reviews on a daily basis unmatched currency exposures if any and the compliance with regulatory foreign exchange exposure limits and subsequently informs the Safeguarding and Treasury Committee on a regular basis.

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

The revenue which the Company derives from foreign currency transactions may vary depending on the geographic locations of its customers from time to time, because customers may become more sensitive to the price charged for foreign currency transactions and require that the Company reduces the fee charged which would reduce the revenue which the Company derives from foreign currency transactions.

More sophisticated treasury management by the Company's merchant customers may result in such customers reducing the amounts they deposit with the Company, or the time during which such amounts are deposited, resulting in a reduction in the financial revenue capable of being generated by the Company. The Directors' Report outlines the financial risk management policies in place for the Company.

Economic downturn

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

PAYSAFE FINANCIAL SERVICES LIMITED
STRATEGIC REPORT
31 December 2021

Disclosure of principal risks and uncertainties (continued)

Pandemic Response

The Company is exposed to 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 Paysafe Group's (of which the Company is part) Crisis Management Standard provides governance for management of the Paysafe 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 Company'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 Paysafe 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 Paysafe 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.

Future outlook

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

The board remains committed to the Company's existing strategy and vision and believe that the objectives currently being pursued will lead to improvements in the business performance and results over the medium term. For the time being our focus is clearly on maximising the operational potential of the business and looking for complementary opportunities that will add value to our product. Excellence in customer experience has been and remains a key point of focus across verticals and all payment products. We intend to create value for consumers we attract. Innovation remains a key growth and profitability driver. A higher pace of innovation, based on customer and consumer insight, will improve the Company's competitiveness, further strengthening and differentiating its customer offering. The Company continues to make significant investments to broaden the functionality offered on its platform and regularly introduces new product features as part of its strategy to enter into adjacent markets using its e-wallet technology and payments network. The external commercial environment is expected to remain competitive in 2022. However, we believe that the Company is well positioned to grow current market share and improve its profitability in the future.

Section 172 Companies Act 2006

Paysafe Financial Services Limited is one of the Europe's leading digital money companies, operating one of the world's largest independent e-wallet platforms on the Internet. As such it relies on the trust and confidence of its stakeholders to operate sustainably in the long term. The Company puts its customers' best interests first, invests in its employees, supports the communities in which it operates and strives to generate sustainable profits for shareholders.

PAYSAFE FINANCIAL SERVICES LIMITED
STRATEGIC REPORT
31 December 2021

Disclosure of principal risks and uncertainties (continued)

Section 172 Companies Act 2006 (continued)

The Directors of the Company have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006.

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

Purpose and leadership

The Company is determined to be the leading specialized payments platform and is committed to achieving this in the right way. This mission has been communicated to all staff through offsite meetings for board and senior staff, townhalls, as well as through its internal channels of communications.

Our culture and values are an important part of how we will deliver our mission. The culture is 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. These values are embedded throughout the whole business through its recruitment, reward, recognition, development and performance management processes.

Given the importance to the Company of its culture, we regularly seek to test and understand it. One way through which to understand its culture is through the annual staff survey (as well as related the topics such as leadership and satisfaction with managers). The results of these surveys are analyzed and then plans to put in place to improve in targeted areas with year on year tracking.

Board composition

The Company's Directors have significant experience and sectorial expertise. Several of the Directors have extensive experience across the payments, financial services and wider technology industries.

Director Responsibilities

The Board of Directors is responsible for establishing and monitoring the implementation of Company's strategy and oversight of performance, risk management and internal control. All executive directors along with all other staff complete 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 is supported in its work by an independent internal audit team which provides regular reports to the Board and its Committees as relevant.

Opportunity and Risk

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

PAYSAFE FINANCIAL SERVICES LIMITED
STRATEGIC REPORT
31 December 2021

Disclosure of principal risks and uncertainties (continued)

Section 172 Companies Act 2006 (continued)

Paysafe as a Group from which the Company is part, 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.

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

Remuneration

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 a 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.

Stakeholder relationship and engagement


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

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

Our employees are engaged through multiple channels but most notably through the 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 and also when they leave.

Throughout 2022, the Board will continue to review and challenge how the Company can improve engagement with its employees and stakeholders.

On behalf of the board of directors

DocuSigned by:

...8E3722735C0E43B...
Rachel McShane
Director
20 January 2023

PAYSAFE FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT
31 DECEMBER 2021

Directors' report

The directors present their annual report with the audited financial statements of Paysafe Financial Services Limited ("the Company") for the year ended 31 December 2021.

Results and dividend

The profit for the year after taxation was US\$5,585,000 (2020: US\$24,202,000). During 2021 a dividend of US\$25,000,000 was distributed (2020: US\$1,869,000). An indication of likely future developments is included within the Strategic Report.

Going concern

These financial statements have been prepared on the going concern basis, as the Board of Directors has a reasonable expectation that the Company has 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 2021, the Company has remained highly cash generative with total cash as at 31 December 2021 of US\$43,979,000 (2020: US\$46,490,000). This is a proof that despite the negative impact of Covid-19 and the EEA transfer, the Company remains stable, profitable and with significant cash-generating potential.

As a result of the COVID-19 pandemic, we have experienced, and may continue to experience, slowed growth or decline in new demand for our products and services and lower demand from our existing merchants for expansion within our products and services, as well as existing and potential merchants reducing or delaying purchasing decisions. While our Digital Wallet business is showing recovery as sporting events resume, if the Covid-19 pandemic continues and authorities implement measures to contain the pandemic that have the effect of decreasing or halting altogether sporting events, our Digital Wallet business could be materially adversely affected. The Company continues to revise and update the carrying values of its assets or liabilities based on estimates, judgments and circumstances it is aware of, particularly, the expected impact of COVID-19. While the COVID-19 pandemic continues to have ongoing global effects, there have been no material impacts on our estimates, but facts and circumstances could change and impact our estimates and affect our results of operations in future periods.

The war in Ukraine and Russia is not expected to have significant impact on the business.

Therefore, the Directors concluded that the Company will be able to meet its liabilities for at least 12 months from signing of the financial statements and to operate as a going concern, noting the Board's confidence in the Company's forecasts and ability to deliver cost and cash management actions to support the preparation of the financial statements on a going concern basis.

PAYSAFE FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT
31 DECEMBER 2021

Charitable and political contributions

Paysafe Group (of which the Company is part) continues to support various charitable endeavours that support local communities. All employees were given a volunteer day to use in their local communities. Volunteering varied from supporting young people through a number of generous scholarships in collaboration with leading local charitable organisations. Looking into 2022, Paysafe Group will focus its charitable efforts around supporting elderly people in our local communities. Furthermore, the Group is committed to protecting the environment for future generations by putting a number of practices in place to minimise carbon emissions, including saving energy, recycling office waste and adopting paperless work practices.

Financial instruments

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

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

Financial risk management

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

Credit risk

The Company has significant settlement assets and restricted cash in respect of customer accounts as at balance sheet date. The Company has adopted a policy of only dealing with counterparties rated by external independent agencies as creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available, and if not available, the Company uses other publicly available financial information and its own trading records to rate its major partners. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

Liquidity risk

The Company has significant net cash balances as at the balance sheet date. Liquidity risk is monitored on a daily basis and is maintained in accordance with the FCA requirements for e-money issuers. Management closely monitors the cash position of the Company on a continuous basis to ensure sufficient liquidity exists for business needs.

Liquidity risk is mitigated due to positive cash flows from operating activities and cash balances held. The Company balances the flexible use of funding by way of loans to / from group companies.

Foreign currency risk

The Company has financial instruments which are denominated mainly in Euros, US Dollars and British Pounds. In total the Company transacts in 31 currencies. The gains and losses arising from the Company's exposure to risk arising from its foreign currency transactions are recognised in the profit and loss account. Foreign currency risk is monitored on a daily basis, sufficient foreign currency positions are held to match customer deposits thereby limiting any adverse foreign currency movements.

PAYSAFE FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT
31 DECEMBER 2021

Post Balance Sheet Events

Refer to note 23, Events after the reporting date.

Directors and their interests

The following directors have served during the year or to the date of this report, except as noted:

Mark A Jeffrey (resigned on 14 April 2022)
Daniel J Chazonoff (resigned on 28 April 2022)
Garreth B Dorree (resigned on 25 August 2022)
Elliott M Wiseman
Alan Osborne
Rachel McShane (appointed on 14 March 2022)
Chirag Patel (appointed on 16 May 2022)
Fayyaz Ansari (resigned on 29 September 2021)
Giacomo Dummond Austin (appointed on 12 September 2022)
Lorenzo Pellegrino (resigned on 16 July 2021)

Directors' indemnity insurance

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

Statement of directors' responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

**PAYSAFE FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT
31 DECEMBER 2021**

Disclosure of information to the auditor

So far as each of the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor


Deloitte LLP, being eligible, expressed their willingness to continue in office in accordance with Section 485 of the Companies Act 2006.

Section 172 Companies Act 2006

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

Throughout 2022, the Board will continue to review and challenge how the Company can improve engagement with its employees and stakeholders.

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

DocuSigned by:

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Rachel McShane

Director

20 January 2023

PAYSAFE FINANCIAL SERVICES LIMITED

REPORT OF THE INDEPENDENT AUDITOR

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements of Paysafe Financial Services Limited ("the Company") which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 23.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

PAYSAFE FINANCIAL SERVICES LIMITED

REPORT OF THE INDEPENDENT AUDITOR

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

PAYSAFE FINANCIAL SERVICES LIMITED

REPORT OF THE INDEPENDENT AUDITOR

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

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

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

We obtained an understanding of the legal and regulatory framework that the company 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 company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists 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:

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

PAYSAFE FINANCIAL SERVICES LIMITED
REPORT OF THE INDEPENDENT AUDITOR

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

S. Cumberbatch.

Stewart Cumberbatch (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham. United Kingdom

21 January 2023

PAYSAFE FINANCIAL SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

	<i>Note</i>	2021	2020
Revenue	5	91,325	153,647
Cost of sales	6	<u>(27,230)</u>	<u>(40,189)</u>
Gross profit		64,095	113,458
Administrative expenses		(59,064)	(103,046)
Net impairment losses on financial assets		<u>(97)</u>	<u>(1,918)</u>
Operating profit	7	4,933	8,494
Other gains	13	—	14,426
Finance income		1,446	911
Finance expense		<u>(8)</u>	<u>(396)</u>
Profit before income tax		6,371	23,436
Income tax (expense)/credit	9	<u>(786)</u>	<u>766</u>
Profit after tax		5,585	24,202
Other comprehensive income (net of nil tax (2020: nil))		<u>—</u>	<u>—</u>
Total comprehensive income		<u>5,585</u>	<u>24,202</u>

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

The notes on pages 21 to 39 form part of the financial statements.

PAYSAFE FINANCIAL SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

	<i>Note</i>	2021	2020
Assets			
Non-current assets			
Intangible assets	11	21,987	23,608
Long term loans granted to related parties	21(b)	10,435	40,936
Total non-current assets		32,422	64,544
Current assets			
Trade and other receivables	12	15,838	11,168
Cash held as reserves		545	778
Settlement assets		34,116	17,232
Restricted cash in respect of customer accounts	14	173,572	234,790
Cash and cash equivalents		43,979	46,490
Total current assets		268,050	310,458
Total assets		300,472	375,002
Equity			
Share capital	16	44,295	44,295
Share premium	13	5,519	5,519
Capital contribution reserve		1,538	1,538
Retained earnings		32,920	52,335
Total equity		84,272	103,687
Non-current liabilities			
Deferred tax liability	9	4,555	3,904
Total non-current liabilities		4,555	3,904
Current liabilities			
Funds payable and amounts due to customers	17	182,608	244,332
Trade and other payables	15	29,037	23,079
Total current liabilities		211,645	267,411
Total liabilities		216,200	271,315
Total equity and liabilities		300,472	375,002

The notes on pages 21 to 39 form part of the financial statements. These financial statements were approved by the Board of Directors on 20 January 2023 and were signed on their behalf by:

Company Registration No. 4478861 (England and Wales)

DocuSigned by:

rachel.mcshane
 653722739C9E438.....

Rachel McShane

Director

PAYSAFE FINANCIAL SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

	<i>Note</i>	Share capital	Share premium	Capital contribution reserve	Retained earnings	Total
At 1 January 2020		44,295	—	1,459	30,002	75,756
Share based payment		—	—	79	—	79
Contributions of equity net of transaction costs	13	—	5,519	—	—	5,519
Dividend paid		—	—	—	(1,869)	(1,869)
Profit for the year		—	—	—	24,202	24,202
Total comprehensive income		—	—	—	24,202	24,202
At 31 December 2020		44,295	5,519	1,538	52,335	103,687
Dividend paid		—	—	—	(25,000)	(25,000)
Profit for the year		—	—	—	5,585	5,585
Total comprehensive income		—	—	—	5,585	5,585
At 31 December 2021		44,295	5,519	1,538	32,920	84,272

The notes on pages 21 to 39 form part of these financial statements.

PAYSAFE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

1. Corporate information

Paysafe Financial Services Limited (the "Company") is a limited company, incorporated under the laws of England and Wales on 5 of July 2002.

The principal activity of the Company is the provision of e-money services. The Company is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom.

2. Significant accounting policies

2.1 Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council ("FRC"). Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payment, financial instruments, capital management, presentation of a cash-flow statement, presentation of comparative information in respect of certain assets, certain related party transactions and standards not yet effective.

The Company is consolidated at the ultimate parent company (note 18), Paysafe Limited, a company incorporated in Bermuda, which is the largest and small group into which these results are consolidated. Copies of the consolidated financial statements of Paysafe Limited are available from the registered principal executive office at Floor 27, 25 Canada Square, London, England, E14 5LQ.

These financial statements are separate financial statements and the exemption from consolidation has been used.

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

Going concern

The financial statements are prepared on a going concern basis.

The board of directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Board has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

Through FY21 the Company has remained highly cash generative with total cash as at 31 December 2021 of US\$43,979,000 (2020: US\$46,490,000). This provides evidence that despite the negative impact of Covid-19 and EEA transfer, the Company remains stable, profitable and with significant cash-generating potential.

PAYSAFE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

2. Significant accounting policies (continued)

Going concern (continued)

As a result of the COVID-19 pandemic, we have experienced, and may continue to experience, slowed growth or decline in new demand for our products and services and lower demand from our existing merchants for expansion within our products and services, as well as existing and potential merchants reducing or delaying purchasing decisions. While our Digital Wallet business is showing recovery as sporting events resume, if the Covid-19 pandemic continues and authorities implement measures to contain the pandemic that have the effect of decreasing or halting altogether sporting events, our Digital Wallet business could be materially adversely affected. The Company continues to revise and update the carrying values of its assets or liabilities based on estimates, judgments and circumstances it is aware of, particularly, the expected impact of COVID-19. While the COVID-19 pandemic continues to have ongoing global effects, there have been no material impacts on our estimates, but facts and circumstances could change and impact our estimates and affect our results of operations in future periods.

The war in Ukraine and Russia is not expected to have significant impact on the business development.

Additionally, Paysafe Group and the Company has conducted a detailed scenario analysis to ensure it has adequate liquidity to support business operations and will remain in compliance with its regulatory capital requirements. This analysis has considered:

- The Paysafe Group's pandemic response plan, consequential actions taken and the demonstrated operational resilience of the business;
- The actions taken to manage liquidity, including the existing intercompany loans granted from related parties amounting to US\$200,000,000 which will allow the Company access to liquidity, if required;
- An assessment of transaction volumes and revenue performance;
- Review of the regulatory requirements – the Company has US\$39,969,000 capital surplus over its FCA capital requirement at the end of the year.

Therefore, the Directors concluded that the Company will be able to operate as a going concern, noting the Board's confidence in the Company's forecasts and ability to deliver cost and cash management actions to support the preparation of the financial statements on a going concern basis.

2.2 Summary of significant accounting policies

(a) Foreign currencies

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

PAYSAFE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

2.2 Summary of significant accounting policies (continued)

(b) Revenue recognition

The Company is involved in e-money transaction processing services. Revenues from transaction processing services are recognised in the profit or loss at the time services are rendered. Consumer revenue is recognised 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 cross-currency transactions. Interest and investment income are accrued on a monthly basis, by reference to the principal outstanding and at the effective interest rate applicable.

The Company is involved in transaction processing services through four main lines of business. For each primary source of revenue under these business lines, the Company's main performance obligation is to stand ready to provide electronic payment services. Neteller provides businesses and individuals with a fast, simple and secure way to transfer money online. Payment Processing (Acquiring and STP), through its licences, helps businesses accept credit and debit card (Visa and Mastercard), bank transfer and direct debit payments from consumers with the option to integrate various other in-house and third-party payment methods. The Card Solutions Division (otherwise known as Issuing) enables businesses to set up prepaid card programmes, whether by an employee payroll card, a consumer currency card or a bespoke mobile payment solution.

(c) Income tax

Current and deferred income tax

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

PAYSAFE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

2.2 Summary of significant accounting policies (continued)

(c) Income tax (continued)

Purchase tax

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

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

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

(d) Intangible assets

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

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

Infrastructure Software:	Straight line, useful life 3-5 years
Customer List:	Straight line, useful life 14 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised. The Company does not hold internally generated intangible assets.

(e) Property, plant and equipment (PPE)

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Communication equipment:	Straight line, useful life 2 years
Computer equipment:	Straight line, useful life 3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of fixed assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

PAYSAFE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

2.2 Summary of significant accounting policies (continued)

(f) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The difference between the carrying amount and recoverable amount is charged to profit or loss. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(j) Financial instruments

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

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

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

Financial liabilities that are not measured at fair value through profit or loss are classified as amortised cost. Financial liabilities designated as amortised cost are initially measured at their fair value (net of issue costs in the case of loans and borrowings) and subsequently measured at their amortised cost using the effective interest rate method. They include trade and other payables and funds payable and amounts due to customers.

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

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

(h) Impairment of financial assets

The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

PAYSAFE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

2.2 Summary of significant accounting policies (continued)

(i) Trade and other receivables

Trade and other receivables are initially recognised at their fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(j) Settlement assets

Settlement assets arise as a result from timing differences in the Company's settlement process between the cash settlement of a transaction and the recognition of the associated liability (for example e-money or merchant processing liability). These timing differences arise primarily as a result of settlement amounts due from financial institutions and other payment processors. The Company sends prefunds to some of the payment service providers, as part of the transactions processing scheme and these prefunds are included in the settlement assets. These amounts are typically settled within days of the transaction processing date.

(k) Cash and cash equivalents

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

(l) Cash held as reserves

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

(m) Restricted cash in respect of customer accounts

Restricted cash in respect of customer accounts represents amounts held in segregated bank accounts, which represent funds held on behalf of consumers and merchants. These segregated bank accounts are segregated from operating funds.

In compliance with the safeguarding provisions within the Financial Conduct Authority ("FCA") Electronic Money Regulations 2011 and Payment Services Regulations 2018, the Company is required to safeguard 'relevant funds' from the institution's working capital and other funds immediately upon receipt. Relevant funds are funds that have been received in exchange for e-money that has been issued. Relevant funds received in the form of payment by a payment instrument (PSP settlements) only have to be safeguarded when they are credited to the EMI's or credit union's payment account or are otherwise made available to the EMI or credit union, subject to the requirement that they are safeguarded by the end of five business days after the date on which the e-money was issued.

In 2021 the Payment Processing and Neteller Division implemented an additional process for safeguarding using standby letter of credits. Under this arrangement the Company is a beneficiary under such standby letters of credit, which are provided by external banks. As a result, the Company is not required to keep cash in segregated bank accounts up to the amount of standby letters of credit. As of 31 December 2021, the Company has effective letter of credit with Royal Bank of Canada and Banks of Montreal and for the total amount of US\$28,500,000 (2020: Royal Bank of Canada and Banks of Montreal for the total amount of US\$20,500,000).

PAYSAFE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

2.2 Summary of significant accounting policies (continued)

(n) Share capital

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

(o) Trade and other payables

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

(p) Funds payable and amounts due to customers

The Company recognises a liability upon the issuance of electronic money to its consumers and merchants equal to the amount of electronic money that has been issued. In addition, where the Company is in the flow of funds in the transaction settlement cycle, a liability is recognised for the amount to be settled to merchants. These amounts are presented as Funds payable and amounts due to customers in the Statement of financial position.

(q) Related party transactions

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

(r) Employee benefits

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

Pension obligation

The company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(s) Share based payments

On 2 January 2018, Pi Jersey Topco Limited (the ultimate parent company of Paysafe Group Limited) 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 Paysafe Group in consideration for their employee services. Consideration of US\$2.16 or US\$1.50 was payable on the grant of each A ordinary share, depending on grant date, and consideration of US\$1.00 was payable on the grant of each B ordinary share. Whilst the awards are issued and settled by Pi Jersey Topco Limited, the employee services are received by Paysafe Group entities. As such, they are accounted for as equity settled share-based compensation in the Company's financial statements. The expense recognised corresponds to the portion attributable to the Company's employees and it is recorded against a corresponding increase in the Capital contribution reserve. For 2021 the expense is US\$0 (2020: US\$79,000).

PAYSAFE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

2.2 Summary of significant accounting policies (continued)

(s) Share based payments (continued)

The A and B ordinary shares include a service-based vesting condition and a performance-based vesting condition. Vesting was subject to continuous service until the achievement of an Exit Event. These awards vested in connection with the completion of the merger with FTAC, resulting in full recognition of the remaining share-based compensation associated with these awards for the year ended 31 December 2021.

Share-based payments – equity settled transactions

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

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

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

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

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

(t) Offsetting

Financial assets and liabilities are set off and the net amount presented in the Statement of Financial Position when, and only when, the Company has a 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, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

PAYSAFE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

(all amounts in USD thousands unless otherwise stated)

3. Critical accounting estimates and judgements

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

Judgements

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

Crypto assets and liabilities

The Company purchases cryptocurrency assets on behalf of its customers. All the risks and rewards associated with those assets are transferred to the customer at the time of purchase and the Company has no ability to control the assets. As a result, the Company does not recognise neither the cryptocurrency assets nor the opposing liability to customers on its balance sheet. At 31 December 2021 the off-balance sheet asset and liability was US\$6,426,000 (31 December 2020: US\$3,221,000).

Estimates

Expected credit loss (ECL) on financial assets

The key assumption in determining the ECL on financial assets is the assumed credit default risk based on external sources and historical information about possibilities of loss available at the time of the assessment. However this may change due to market changes or circumstances arising beyond the control of the Company. ECL in the amount of US\$97,000 represents management's best estimate as at 31 December 2021.

There are no other key assumptions concerning the future or other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Adoption of new and revised Standards

4.1 Initial applications of new amendments to the existing standards effective for the current reporting period

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

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform effective for annual periods beginning on or after 1 January 2021;

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

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(all amounts in USD thousands unless otherwise stated)

5. Revenue

Disaggregation of revenue

The Company derives revenue from the transfer of services in the following major business areas:

	2021	2020
Neteller	68,613	124,868
Acquiring	16,265	20,335
Issuing	5,934	7,146
STP	513	1,298
	<u>91,325</u>	<u>153,647</u>

	2021	2020
Transaction fees	74,015	129,813
FX spread income	13,266	18,795
Other revenue	6,446	5,154
Investment income	371	1,534
Rebates	(2,773)	(1,649)
	<u>91,325</u>	<u>153,647</u>

Other revenues include recharges to related parties mainly for back-office services in the amount of US\$4,199,000 (2020: US\$4,210,000).

6. Cost of sales

	2021	2020
Commissions and referral bonuses	11,392	19,797
Transaction processing fees	12,215	16,867
Promotions	3,623	3,525
	<u>27,230</u>	<u>40,189</u>

7. Operating profit

	2021	2020
Operating profit is stated after charging:		
Intercompany charges	46,207	92,431
Staff costs (Note 8)	7,092	4,896
Depreciation and amortisation (Note 10, 11)	2,220	2,461
Customer repayments	1,968	—
Foreign exchange loss	671	1,243

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7. Operating profit (continued)

The amount of the audit fee allocated to the Company for the current period was US\$20,000 (2020: US\$22,000). The part recognized in the Company was US\$20,000 (2020: US\$18,000, the rest was borne by Paysafe Group Limited). There were no non-audit fees for 2021 and 2020.

The intercompany charges include distribution fees charged by related parties at the amount of US\$15,992,480 (2020: US\$63,336,000) for using intellectual property operated and maintained by the related party.

Following an internal review of foreign exchange rates and pursuant to discussions with the regulator that were initiated by us and concluded in September 2022, it was decided to provide payments to certain customers that may have been adversely impacted since January 2018. As a result, a provision of \$1,968,008 related to customer repayments has been taken.

8. Staff costs

	2021	2020
Staff costs including executive directors during the year:		
Wages and salaries	4,442	3,295
Social security costs	567	434
Pension contributions to money purchase scheme (Note 20)	253	228
Share option expense	—	79
Other staff cost	1,830	860
	7,092	4,896

The average number of persons employed was: 42 43

All directors of the Company are regarded as its only key management personnel. Their compensation comprised the following:

	2021	2020
Directors' fee and other emoluments	353	400
Share based payment	—	79
Other pension contributions	14	12
	367	491

Remuneration of highest paid director:

Director's fee and other emoluments	240	261
Other pension contributions	14	12
	254	273

Directors' remuneration is borne by other group companies.

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9. Taxation

	2021	2020
Current tax		
Adjustment in respect of previous periods	122	282
Current year	13	263
Total current tax expense/(credit)	135	545
Deferred tax		
Deferred tax arising from the current period	(465)	(900)
Adjustment for prior period	(67)	—
Rate change	1,183	(411)
Total deferred tax expense/(credit)	651	(1,311)
Income tax expense/(credit)	786	(766)

Reconciliation of income tax credit

Reconciliation between tax expense and the product of accounting profit multiplied by the domestic tax rate for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
Profit before tax	6,371	23,436
Tax on profit on ordinary activities at standard rate 19% (2020: 19%)	1,203	4,453
<i>Factors affecting charge:</i>		
Group relief	(1,637)	(2,366)
Adjustments to tax charge in respect of previous periods	55	282
Other	—	(2,741)
Expenses not deductible for tax purposes	—	17
Effects of changes in tax rates	1,165	(411)
Income tax expense/(credit)	786	(766)

UK corporation tax has been charged at 19% (2020: 19%). Deferred tax is calculated based on the substantively enacted 25% tax rate effective from 1 April 2023.

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

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9. Taxation (continued)

Statement of financial position	2021	2020
Deferred tax liability:		
As at 1 January	3,904	5,215
Deferred tax expense/(credit) in income statement	651	(1,311)
As at 31 December	4,555	3,904
Accelerated capital allowances	(88)	(16)
Customer list	5,180	4,334
Provision for impairment	—	(246)
Other	(537)	(168)
	4,555	3,904

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

10. Property, plant and equipment

	2021	2020
	Computer	Computer
	Equipment	Equipment
Cost		
At 1 January	88	88
Disposals	(88)	—
At 31 December	—	88
Depreciation		
At 1 January	88	88
Charge for the year	—	—
Disposals	(88)	—
At 31 December	—	88
Net book value at 31 December	—	—

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11. Intangible assets

	Customer List	Infrastructure Software	Intangibles Total
Cost			
At 1 January 2020	37,500	2,264	39,764
Additions	—	652	652
Disposals	(8,250)	—	(8,250)
At 31 December 2020	29,250	2,916	32,166
Amortisation			
At 1 January 2020	5,580	2,088	7,668
Charge for the year	2,433	28	2,461
Disposals	(1,571)	—	(1,571)
At 31 December 2020	6,442	2,116	8,558
Net book value at 31 December 2020	22,808	800	23,608
Cost			
At 1 January 2021	29,250	2,916	32,166
Additions	—	599	599
Disposals	—	(2,068)	(2,068)
At 31 December 2021	29,250	1,447	30,697
Amortisation			
At 1 January 2021	6,442	2,116	8,558
Charge for the year	2,089	131	2,220
Disposals	—	(2,068)	(2,068)
At 31 December 2021	8,531	179	8,710
Net book value at 31 December 2021	20,719	1,268	21,987

The disposal of the Customer list in 2020 is part of the Brexit transaction (note 13).

Impairment of intangible assets

The Company conducted a review for impairment of intangible assets at 31 December 2021. No indicators showed that the carrying amount of the assets exceeded the recoverable amount and therefore, no impairment loss was recognised in the financial statements (2020: US\$ nil).

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12. Trade and other receivables

	2021	2020
Amounts due from group companies (note 21)	11,201	8,084
Tax receivable	1,447	1,256
Trade receivables	2,597	994
Prepaid expenses	390	201
Other receivable	203	633
	<u>15,838</u>	<u>11,168</u>

Presented against trade receivables are allowances for expected credit losses of US\$1,129,000 (2020: US\$1,055,000).

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

13. Other gains

	2021	2020
Profit on transfer of Digital Wallets business (EUR 16,300,000)	—	19,236
Profit on transfer of Payment Processing business	—	1,869
Loss on disposal of Customer lists (note 11)	—	(6,679)
	<u>—</u>	<u>14,426</u>

Brexit

Throughout 2019 the Company operated significant elements of its business with EEA customers under UK Financial Conduct Authority (FCA) licences, taking advantage of the passporting regime into the European Economic Area ("EEA"). In 2019 a separate related party entity (Paysafe Payment Solutions Limited) obtained licenses, and completed the necessary passporting notifications, from the Central Bank of Ireland (CBI) to enable the continuation of these operations within ongoing EEA jurisdictions.

Payment Processing business:

On 3rd February 2020, the Company has entered into a business transfer agreement with Paysafe Payment Solutions Limited, to transfer its EEA Payment Processing business and assets at the amount of US\$1,869,000. The Company also declared a dividend at the same amount to its sole shareholder.

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13. Other gains (continued)

Digital Wallets business:

On 4th August 2020, the Company has entered into a business transfer agreement with Paysafe Payment Solutions Limited, to transfer its EEA Digital Wallets business and assets at the amount of EUR16,300,000 (US\$19,236,000). This transfer was done in exchange for receiving ordinary shares in Paysafe Payment Solutions Limited. As part of this business transfer, additional capitalisation steps and share reorganisations were done such that in aggregate, the Company acquired 18,558,069 ordinary shares in Paysafe Payment Solutions Limited. These shares were then sold to another entity part of Paysafe Group - Skrill Limited on 15 December 2020. As part of the steps leading to the Brexit transfers, the Company also allotted and issued one ordinary share of £1.00 to its sole shareholder and recognised share premium at the amount of EUR4,700,000 (US\$5,519,000).

14. Restricted cash in respect of customer accounts

	2021	2020
Cash at banks	110,379	145,732
Deposits	63,193	89,058
	<u>173,572</u>	<u>234,790</u>

The segregated bank accounts are held with the Company's principal bankers and are segregated from operating funds. Restricted cash in respect of customer accounts earns interest at floating rates based on daily bank deposit rates. The deposits are made in different currencies and for varying periods of between one and 12 months and earn interest of 0.05% to 0.45%, per annum. The Company can redeem deposits any time before maturity or at least with 30-day notice.

15. Trade and other payables

	2021	2020
Amounts due to group companies (note 21)	19,594	16,310
Accrued liabilities	7,221	3,735
Trade payables	681	378
Taxation, payables to employees and social security	366	583
Other payables	1,175	2,073
	<u>29,037</u>	<u>23,079</u>

Trade payables and accruals comprise amounts outstanding from trade purchases and ongoing costs. Trade and other payables are non-interest bearing and are generally on 30-days' terms. For terms and conditions relating to payables to related parties, refer to Note 21.

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16. Share capital

	2021	2020
Called up, allotted and fully paid		
26,677,101 Ordinary shares of £1 each	44,295	44,295

All shares have equal voting rights of one vote per share.

As part of the transfer of the EEA Digital Wallets business and assets on 4th August 2020, the Company allotted and issued one ordinary share of £1.00 to its sole shareholder and recognised share premium at the amount of US\$5,519,000 (note 13).

17. Funds payable and amounts due to customers

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

18. Ultimate parent company and controlling party

On 30 March 2021, Paysafe Group announced the completion of a merger with Foley Trasimene Acquisition Corp. II ("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. The registered principal executive office address of the company is Floor 27, 25 Canada Square, London, England, E14 5LQ. There is no ultimate controlling party of the Company.

19. Investment in subsidiaries

Details of the Company's principal subsidiaries held at cost as at 31 December 2021 are as follows:

Name of subsidiary	Place of incorporation and	Type of investment	Proportion of ownership interest	Proportion of voting power held	Principal activity
Optimal Payments Services Inc	USA	Direct investment	100%	100%	Service company

Paysafe Payment Services LLC which was a subsidiary of Optimal Payments Services Inc and indirect investment of the Company as of 31 December 2019 was merged with his parent in November 2020. Thus, as of 31 December 2020 and 31 December 2021 the Company has only one subsidiary. This does not impact the value of the investment in Optimal Payments Services Inc.

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19. Investment in subsidiaries (continued)

Investment in Optimal Payments Services Inc:

	2021	2020
Cost of investment	—	6,750
Less: impairment	—	(6,750)
	<u>—</u>	<u>—</u>

The investments in Optimal Payments Services Inc was fully impaired and as at the balance sheet date its amount is nil. The impairment was based on analysis of the net assets of the subsidiary.

20. Pension contributions

During the year, the Company has operated a defined contribution pension scheme for its employees and Directors. Payments to the pension scheme during the year amounted to US\$253,000 (2020: US\$228,000). There were no outstanding payments due at the reporting date (2020: US\$ nil).

21. Related party transactions

The direct parent of the Company is Paysafe Group Limited.

The Company has a registered branch in Ireland. The branch was registered on 4 February 2019 under company number 909072.

All related parties with transactions with the Company are 100% owned subsidiaries by the same parent company - Paysafe Limited. The amounts due from the parent company and due to group companies are unsecured, interest free and repayable on demand.

The Company has intercompany loan facility agreements with Paysafe Holdings UK Limited. The debt is maturing on 11 March 2027 and has interest of 4% plus 1-month LIBOR. The outstanding balances as at 31 December 2021 and 2020 are disclosed in the table below.

		2021	2020
<u>Receivables from related parties:</u>			
Entities under the control of Paysafe Limited	Non-current loan	10,435	40,936
Entities under the control of Paysafe Limited	Recharges	11,160	8,084
Direct parent	Recharges	41	—
		<u>21,636</u>	<u>49,020</u>
		2021	2020
<u>Payables to related parties:</u>			
Entities under the control of Paysafe Limited	Recharges	19,590	16,303
Direct parent	Recharges	—	7
Subsidiaries	Recharges	4	—
		<u>19,594</u>	<u>16,310</u>

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22. FCA regulatory capital requirements

Paysafe Financial Services Limited, an FCA regulated entity, is required to have minimum amount of capital. The FCA's regulatory requirement is, at any time, for Paysafe Financial Services Limited to have initial capital in excess of €350,000 and hold regulatory own funds which are in excess of the sum of the below:

- For e-money issuance and related payment services: 2% of the average daily outstanding e-money amount at the end of each calendar day over the preceding 6-month period;
- For unrelated payment services: a % of gross commissions and fees received with a multiplication factor.

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

	2021	2020
Regulatory own funds	44,727	13,464
FCA regulatory capital requirements	(4,758)	(7,232)
Capital surplus	39,969	6,232

23. Events after the reporting date

On 31 July 2022, the Company acquired the business and assets of Paysafe Process Limited ('PPL') consisting of business carried on by the Company as at 31 July 2022 including the UK Gateway only business from PPL for a consideration amounting to £191,461.

Other than the disclosed above, there are no other significant subsequent events after the balance sheet date.