

Company registration number: 4260907 (England and Wales)

Skrill Limited

ANNUAL FINANCIAL STATEMENTS
31 December 2020



Skrill Limited

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Skrill Limited

General information

Board of Directors

E Wiseman
L Pellegrino
M F Ansari
M Jeffrey
D Chazonoff
A Osborne

Company Secretary

E Quine

Registered office

25 Canada Square
London
E14 5LQ

Registered number

4260907 (England and Wales)

Auditor

Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Company Website:

www.skrill.com

The directors present their Strategic report on Skrill Limited (“the Company” or “Skrill”) for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

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

REVIEW OF THE BUSINESS

The Company’s strategy can be summarized as:

- Revenue Growth: Expansion into new product and markets supported by investment in customer experience;
- Scale: Technology development, focussed platform services; consolidation of support services via both IT and process change; and
- Protect: Upgrade of core systems through for example cloud readiness, enhanced resilience and security as well as continued investment in compliance and reporting functions.

The Company has focused on its core offering in 2020, continuing to develop pioneering, industry leading technology and acting as a disruptor in the payments sector.

Skrill business provides a unique network of digital wallet solutions to both members and merchants globally. The business earns the majority of its revenues from commission charges to merchants or members in relation to the movement of funds.

The growth strategy for this business is one of product development, continual improvements to our platform and customer experience (enhancing member conversion, usage and retention) via both technology and for example, member loyalty programmes as well as a continued focus on revenues from emerging markets. This strategy will continue into FY21 supported by successful completion of consolidation of two legacy platforms to enhance IT development timelines and reduce operational cost.

During the year, the Company grew its remittance service Skrill Money Transfer which launched in 2018. This provides consumers with the ability to send money from anywhere in the world directly to bank accounts and mobile wallets in over 40 countries.

RESULTS

Revenue and Gross Profit

	2020	2019
	€’000	€’000
Revenue	234,401	292,317
Gross Profit	188,731	247,154
Gross Profit Margin	81%	85%
Volume (€m)	8,253	11,709
Take rate	2.0%	1.7%

Definitions of volumes and take rate are provided below:

Volume: Amount of money transferred in a transaction, including applied fees.

Take rate%: This is defined as Revenue (excluding Interest income from e-money float and other revenue) divided by Volume

RESULTS (continued)

Revenue decreased by €57,916,000 (20%) to €234,401,000. The decrease is due to sale of EEA business to Paysafe Payment Solutions Limited (a related party) in 2020 as a result of Brexit (see note 5.7) and impact of Covid-19 on sports betting and certain changes in regulatory requirements. The revenue for 2020 noted above includes an amount of €2,069,000 (2019: €4,245,000) relating to interest income derived from the investment of funds generated from e-money float and €68,675,000 (2019: €86,871,000) relating to distribution fees charged to related parties.

Gross profit decreased by €58,423,000 (24%) to €188,731,000 due to the reasons noted above. Gross profit margin declined from 85% to 81% primarily due to change in business mix.

Volume decreased 29.5% due primarily to the core reasons as noted above for revenue. Take rate increased from 1.7% in 2019 to 2.0% in 2020 due to changes in the business mix and higher take rate of Rest of the World business, which remained in Skrill Limited after sale of EEA business to Paysafe Payment Solutions Limited (a related party).

Operating profit

The Company's operating profit for the financial year decreased by €40,943,000 to €7,408,000. During the period ended 31 December 2019, management reassessed the estimated useful lives of certain intangible assets, resulting in the revision of the useful life of certain software. Software useful lives were shortened following progression in the consolidation of the legacy platforms into a unified platform, resulting in an planned retirement of the legacy system. The impact was an accelerated amortisation of €37,800,000 (2019: €5,400,000). Adjusting for that effect, The Company's operating profit for the financial year decreased by €8,543,000 (16%) due to reduction in revenue.

Selling and marketing expenses increased by €843,000 (8%) to €10,879,000. Significant investments were made in digital marketing and sponsorship in order to promote new and existing products of the Company. Administrative expenses decreased by €14,616,000 (8%) to €169,046,000 due to reduction in charges from related parties.

Other gains in 2020 is a one off gain from the sale of the EEA business to related party in the amount of €56,200,000 (see note 5.7).

Cash Flow

Cash flows from operations before movements in payments working capital decreased by €71,553,000 (45%) to €86,551,000. The decrease is due to sale of the EEA business and subsequent reduction in revenue, as explained above. The Company considers that cash flows from operations before movements in payments working capital best measures the cash generation from operating activities. Due to the presentation of restricted cash and settlement assets within net cash flows generated from operating activities, cashflows from operating activities can be significantly impacted by the volume and timing of settlement at the period-end.

Payments working capital

The Company's restricted cash in respect of customer accounts primarily relates to funds that we have received from consumers in exchange for electronic money. Upon receipt of funds from a consumer or merchant, the Company recognises a corresponding liability that is recorded within the Statement of Financial Position as Funds payable and amounts due to customers. The financial statement line items Settlement assets, Restricted cash in respect of customer accounts and Funds payable and amounts due to customers are together referred to as Payments working capital.

The individual items within Payments working capital can be significantly impacted by the timing and volume of settlement, whereas the total balance of all Payments working capital items are not as significantly impacted by normal daily movements. Total payments working capital has decreased by €8,984,000 to €23,593,000 due reduction in the transactional volume following the sale of the EEA business.

DISCLOSURES OF PRINCIPAL RISKS AND UNCERTAINTIES

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

Regulatory

The Company, being a regulated firm in the UK accepting customers from a large number of countries, always faces some uncertainty with regards to the regulatory requirements of those countries. It also has to comply with applicable 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.

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.

Electronic Money Regulations

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).

Money laundering regulations

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

DISCLOSURES OF PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Breach of data privacy compliance

Following the implementation of the General Data Protection Regulations (“GDPR”) into UK and European law in May 2018 the Company undertook a root and branch review of its activities and continues to work towards ensuring the level of compliance with data privacy rules is robust. This work includes but is not limited to: embedding a Privacy by Design approach into the development of our products and services; maintaining an Article 30 Record of Processing Activity; appointing a Data Protection Officer; ensuring we comply with marketing privacy requirements; providing clear and factual notices to customers and employees; undertaking due diligence of data controls in place at third-party providers; and embedding processes to manage cross-border data transfers. Paysafe Group, of which the Company is part of, which have been implemented at the Group level and which seek to provide a comprehensive framework for continued compliance as the Company moves forward. The Group privacy team have also delivered enhanced e-training on data privacy and security requirements to all employees and new starters across the wider Paysafe group, and in addition to the above workstreams are currently working to embed a comprehensive data retention policy across the Group, as well as to ensure the Privacy Standards are followed.

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.

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

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

Fluctuations in currency exchange rates

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

DISCLOSURES OF PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Transactional risks

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

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

Pandemic Response (COVID-19)

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.

STRATEGIC FOCUS AND FUTURE PROSPECTS

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 2021. We believe that the Company is well positioned to grow from its current market share and improve its profitability in the future.

SECTION 172 STATEMENT

Skrill Limited is one of 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.

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 regular 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.

SECTION 172(1) STATEMENT (Continued)

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 defense, 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 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 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

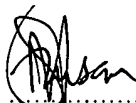
Central to the Company's success is the way the Company conducts itself with its key stakeholders – its customers, its employees, its regulators, the communities the Company works in and the partners and suppliers that the Company works with.

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 communicate 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 (once per year) and also when they leave.

Throughout 2021, the Board will continue to review and challenge how the Company can improve engagement with its employees and stakeholders.

ON BEHALF OF THE BOARD:



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Fayyaz Ansari
Director
30 June 2021

Skrill Limited
DIRECTORS' REPORT
for the year ended 31 December 2020

The Directors present their report with the audited financial statements of Skrill Limited for the year ended 31 December 2020.

RESULTS AND DIVIDEND

The profit for the year after taxation was €71,145,000 (2019: €53,936,000). During 2020 a dividend of €140,000,000 (2019: nil) was distributed.

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 FY20 the Company has remained highly cash generative with net cashflows from operating activities before payments working capital totaling €86,551,000 for the period (2019: €158,104,000) and total cash as at 31 December 2020 of €50,117,000 (2019: €34,449,000). This comes as an evidence that despite the negative impact of Covid-19 and the EEA transfer, the Company remains stable, profitable and with significant cash-generating potential.

As noted in the Strategic Report, the coronavirus outbreak (COVID-19) has occurred and developed such that on 11 March 2020, the World Health Organisation characterised the outbreak as a pandemic. There is continued uncertainty as to the length and extent of prolonged social distancing measures and with that, the reduction in global economic activity. Despite this, due to the Company's high levels of available liquidity and the demonstrated performance since the COVID-19 outbreak, the directors have concluded that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Company continues to closely monitor transaction processing volumes and cash flow forecasts and would take further mitigating actions in the event of a continued deterioration in trading levels in order to maintain compliance with its regulatory capital requirements.

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.

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 aspiration raising workshops to supporting the community through environmental projects. Looking into 2021, Paysafe Group will focus its charitable efforts around the theme of 'future generations', supporting young 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:

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

FINANCIAL RISK MANAGEMENT

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

Credit risk

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

Foreign currency risk

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

POST BALANCE SHEET EVENTS

On 30 March 2021, Paysafe Group management announced the completion of a merger with FTAC, a special purpose acquisition company (the "Transaction"). Under the terms of the Transaction, FTAC combined with Paysafe Group and in connection with the business combination, the newly combined company became publicly traded entity under the name "Paysafe Limited", trading on the New York Stock Exchange (NYSE) under the symbol "PSFE" as of 31 March 2021. Following the completion of the Transaction, Paysafe Limited, a company incorporated in Bermuda, became the Company's ultimate parent company.

DIRECTORS

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

E Wiseman
L Pellegrino
M Jeffrey
D Chazonoff
M F Ansari
D Jones (resigned 30 April 2020)
M Bojilov (resigned 30 September 2020)
A Osborne (appointed 21 December 2020)

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

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

The directors are responsible for preparing the 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

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

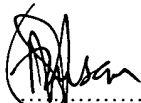
AUDITOR

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

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 Strategic report. Throughout 2021, the Board will continue to review and challenge how the Company can improve engagement with its employees and stakeholders.

ON BEHALF OF THE BOARD:



.....
Fayyaz Ansari

Director

30 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKRILL LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 18.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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:

- 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 and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception


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

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

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Stewart Cumberbatch FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
30 June 2021

Skrill Limited
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Notes	<u>2020</u>	<u>2019</u>
		€'000	€'000
Revenue	5.1	234,401	292,317
Cost of sales	5.3	<u>(45,670)</u>	<u>(45,163)</u>
Gross profit		188,731	247,154
Other operating income	5.2	1,780	151
Selling and marketing expenses		(10,879)	(10,036)
Net impairment losses on financial assets	5.5	(2,584)	(5,256)
Administrative expenses	5.4; 5.6	<u>(169,640)</u>	<u>(183,662)</u>
Operating profit		7,408	48,351
Other gains	5.7	56,200	-
Finance costs	5.8	(249)	(321)
Finance income	5.9	<u>10,570</u>	<u>6,120</u>
Profit before tax		73,929	54,150
Income tax expense	6	<u>(2,784)</u>	<u>(214)</u>
Profit for the year		<u>71,145</u>	<u>53,936</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>71,145</u>	<u>53,936</u>

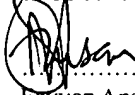
The Directors consider all results to derive from continuing activities.

The notes on pages 21 to 41 form an integral part of these financial statements.

Skrill Limited
STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Notes	2020 €'000	2019 €'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	766	831
Right of use assets	17	4,279	5,680
Intangible assets	8	1,104	176,422
Investments in subsidiaries	9	106,867	-
Long term loans to related parties	16	218,466	237,812
Deferred tax assets	6	600	693
		332,082	421,438
Current assets			
Prepaid expenses		1,928	1,274
Income tax receivable		1,035	2,184
Trade and other receivables	10	39,978	23,458
Settlement assets		29,448	74,764
Restricted cash in respect to customer accounts	11	273,967	482,283
Cash and cash equivalents		50,117	34,449
		396,473	618,412
TOTAL ASSETS		728,555	1,039,850
Equity			
Share capital	12.1	497	497
Share premium		323,177	323,177
Capital contribution reserve	12.2	1,084	490
Retained earnings	12.3	77,137	145,992
TOTAL EQUITY		401,895	470,156
Non-current liabilities			
Lease liabilities		3,666	4,826
		3,666	4,826
Current liabilities			
Funds payable and amounts due to customers	13	279,822	524,470
Trade and other payables	14	42,054	38,954
Lease liabilities	17	1,118	1,444
		322,994	564,868
TOTAL LIABILITIES		326,660	569,694
TOTAL EQUITY AND LIABILITIES		728,555	1,039,850

The accompanying financial statements were authorised for issue with a resolution of the Board of Directors on 30 June 2021.


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Fayyaz Ansari
Director
30 June 2021

Skrill Limited registered number: 4260907

The notes on pages 21 to 41 form an integral part of these financial statements.

Skrill Limited
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital (Note 12.1)	Share premium (Note 12.1)	Capital contribution reserve (note 12.2)	Retained earnings (note 12.3)	Total
	€'000	€'000	€'000	€'000	€'000
As at 1 January 2019	497	323,177	490	92,056	416,220
Total comprehensive income	-	-	-	53,936	53,936
As at 31 December 2019	497	323,177	490	145,992	470,156
As at 1 January 2020	497	323,177	490	145,992	470,156
Dividend distribution	-	-	-	(140,000)	(140,000)
Total comprehensive income	-	-	594	71,145	71,739
As at 31 December 2020	497	323,177	1,084	77,137	401,895

The total comprehensive income for the year includes a non-distributable gain of €56,200,000 from the profit for the sale of EEA business to a related party (Note 5.7& Note 16).

The notes on pages 21 to 41 form an integral part of these financial statements.

Skrill Limited
STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Notes	2020 €'000	2019 €'000
OPERATING ACTIVITIES			
Profit before tax		73,929	54,150
Non-cash adjustment to reconcile profit for the year to net cash flows:			
Depreciation and amortisation	5.4	93,519	99,915
Share based payment charge	5.6	594	-
Impairment of financial instruments	5.5	(833)	1,058
Other gains	5.7	(56,200)	-
Tax relief on research and development		(679)	1
Finance income	5.8	(10,570)	(6,120)
Other interest expense	5.9	12	-
Cash flows from operations before movements in working capital		99,772	149,004
(Increase)/ Decrease in trade and other receivables		(15,669)	35,596
Increase in prepaid expenses		(654)	(408)
Increase /(Decrease) in trade and other payables		3,102	(26,088)
Cash flows from operations before movements in payments working capital		86,551	158,104
Decrease /(Increase) in settlement assets		45,773	(46,117)
Decrease in restricted cash in respect to customer accounts		208,793	19,965
(Decrease)/Increase in funds payable and amounts due to customers		(244,648)	7,523
Taxes paid		(902)	-
Net cash inflows from operating activities		95,567	139,475
INVESTING ACTIVITIES			
Purchase of equipment		(277)	(366)
Purchase of intangibles		(8,814)	(14,209)
Loans granted		(79,134)	(107,307)
Interest received		9,707	10,675
Net cash used in investing activities		(78,518)	(111,207)
FINANCING ACTIVITIES			
Lease paid		(1,280)	(1,603)
Net cash flows used by financing activities		(1,280)	(1,603)
Net increase in cash and cash equivalents		15,769	26,665
Provision against cash and cash equivalents		(101)	(53)
Cash and cash equivalents at 1 January		34,449	7,837
Cash and cash equivalents at 31 December		50,117	34,449

The notes on pages 21 to 41 form an integral part of these financial statements.

1. Corporate information

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

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

2. Significant accounting policies

2.1. Basis of preparation

The 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’. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets and standards not yet effective.

The Company itself is consolidated at the ultimate parent company (note 16), which produces financial statements that comply with International Financial Reporting Standards as adopted by EU. Copies of these consolidated financial statements are available upon request from Floor 27, Canada Square, London, England, E14 5LQ.

These financial statements are separate financial statements.

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

Going concern

The financial statements of the Company have been 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 FY20 the Company has remained highly cash generative with net cashflows from operating activities before payments working capital totaling €86,551,000 for the period (2019: €158,104,000) and total cash as at 31 December 2020 of €50,117,000 (2019: €34,449,000). This comes as an evidence that despite the negative impact of Covid-19 and EEA transfer, the Company remains stable, profitable and with significant cash-generating potential.

As noted in the Strategic report, the coronavirus outbreak (COVID-19) has occurred and developed such that on 11 March 2020, the World Health Organisation characterised the outbreak as a pandemic. There is continued uncertainty as to the length and extent of prolonged social distancing measures and with that, the reduction in global economic activity. Despite this, due to the Company’s high levels of available liquidity and the demonstrated performance since the COVID-19 outbreak, the directors have concluded that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Company continues to closely monitor transaction processing volumes and cash flow forecasts and would take further mitigating actions in the event of a continued deterioration in trading levels in order to maintain compliance with its regulatory capital requirements.

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 even in a scenario where Covid-19 has a prolonged impact on the global economy. This analysis has considered:

2.1. Basis of preparation (continued)

Going concern (continued)

- 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 €350m 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 €64,793,000 capital surplus over its FCA capital requirements

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

FRS 101

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the year ended 31 December 2020 the Company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 'Reduced Disclosure Framework'. The date of transition to FRS 101 for the Company is 1 January 2019. This transition is not considered to have had a material effect on the financial statements. The Company has taken advantage of the disclosure exemptions under FRS 101 detailed in Note 2.1 for all periods presented.

a) Foreign currencies

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

2.2. Basis of preparation (continued)

b) Revenue recognition

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

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

Interest income

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

c) Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

2.2. Summary of significant accounting policies (continued)

c) Taxes (continued)

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

Deferred tax

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

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

Purchase tax

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

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

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

d) Employee benefits

Short-term employee benefits include salaries, bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset and measured at the undiscounted amount of the expected cost of the benefit. Information on short-term employee benefits is disclosed in Note 5.5.

e) Equipment

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

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

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

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

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

2.2. Summary of significant accounting policies (continued)

f) Leases

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

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

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

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

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

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

g) Intangible assets

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

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

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

2.2. Summary of significant accounting policies (continued)

g) Intangible assets (continued)

Website and software development

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

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

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

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

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

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

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

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

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

Domain names

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

h) 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.

2.2. Summary of significant accounting policies (continued)

i) Offsetting of financial instruments

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

j) Impairment of non-financial assets

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

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

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

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

k) 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 funds payable and amounts due to customers). These timing differences arise primarily as a result of settlement amounts due from financial institutions and other payment processors. These amounts are typically settled within days of the transaction processing date.

l) Restricted cash in respect to customer accounts

Restricted cash in respect to customer accounts represents amounts held in segregated bank accounts, which represent funds held on behalf of members and merchants. These segregated bank accounts are segregated from operating funds. In compliance with the safeguarding provisions within the Financial Conduct Authority ("FCA") Electronic Money Regulations 2011 and Payment Services Regulations 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.

2.2. Summary of significant accounting policies (continued)

m) Cash and cash equivalents

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

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

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) Funds payable and amounts due to customers

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

p) Share-based payments

On 2 January 2018, Pi Jersey Topco Limited (the ultimate parent company) adopted a plan (the "Plan") authorizing the issuance of equity-based awards, including A ordinary shares and B ordinary shares, to certain executive and senior managers of 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 the 31 December 2020 year-ended the share-based expense is €594,000 (2019: €0).

The A and B ordinary shares include a service-based vesting condition and a performance-based vesting condition. Vesting is subject to continuous service until the achievement of an Exit Event. The fair value determined at the grant date is expensed over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for share based payments at each reporting date reflects the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest (or in the case of a market condition, be treated as vesting). The movement in cumulative expense since the previous reporting date is recognised in the statement of comprehensive income, with a corresponding entry in equity as a capital contribution from the ultimate parent company.

q) 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 Group Limited, a corresponding increase is recognised in equity as a contribution from the parent.

3. Critical judgements and accounting estimates

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

Judgements

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

Crypto assets and liabilities

The Company 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 2020 the off-balance sheet asset and liability was €10,500,000 (2019: €9,103,000).

Estimates

There are no 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. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

4. Adoption of new and revised Standards

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

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

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

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IFRS 3 "Business Combinations" - Definition of a Business - adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 16 "Leases" - Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020);

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- Amendments to References to the Conceptual Framework in IFRS Standards adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

4. Adoption of new and revised Standards (continued)

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

5. Revenues and expenses

5.1 Net revenue

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

	<u>2020</u>	<u>2019</u>
	<i>€'000</i>	<i>€'000</i>
Revenue from end customers	127,245	157,911
FX spread income	40,789	46,730
Interest income from e-money float	2,069	4,245
Other revenue	69,347	87,714
Rebates	<u>(5,049)</u>	<u>(4,283)</u>
	<u>234,401</u>	<u>292,317</u>

In Other revenues are included distribution fees charged to related parties in the amount of €68,675,000 (2019: €86,871,000) for using intellectual property operated and maintained by Skrill Limited.

Geographical information

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

UK	5,203	7,558
Rest of Europe	69,606	102,491
North and South America	16,218	15,620
Rest of the world	<u>36,218</u>	<u>32,242</u>
	<u>127,245</u>	<u>157,911</u>

5.2 Other operating income

	<u>2020</u>	<u>2019</u>
	<i>€'000</i>	<i>€'000</i>
Tax relief on research and development	1,094	143
Gain on disposal of equipment	1	13
Other	<u>685</u>	<u>(5)</u>
	<u>1,780</u>	<u>151</u>

Tax relief on research and development

The company has claimed R&D relief under the large company regime (Chapter 6A Part 3 CTA 2009) by way of a R&D Expenditure Credit. The claims cover qualifying R&D expenditures incurred throughout FY 2017 and 2018 (2019: FY 2016).

5.3 Cost of sales

	<u>2020</u>	<u>2019</u>
	<i>€'000</i>	<i>€'000</i>
Transaction processing fees	(39,277)	(35,185)
Commissions and referral bonuses	(6,206)	(9,810)
Promotions	(187)	(168)
	<u>(45,670)</u>	<u>(45,163)</u>

5.4 Administrative expenses

	<u>2020</u>	<u>2019</u>
	<i>€'000</i>	<i>€'000</i>
Charges from related parties	(52,921)	(64,708)
Amortisation (note 8)	(91,888)	(98,002)
Depreciation (note 7)	(1,631)	(1,913)
Employee benefit expense	(9,492)	(7,521)
Net foreign exchange differences	(5,035)	(3,271)
Legal & professional fees	(1,446)	(4,455)
IT costs	(1,913)	(1,512)
Other	(5,314)	(2,180)
	<u>(169,640)</u>	<u>(183,662)</u>

Charges from related parties are shown less amounts capitalized. Charges from related parties include charges for outsourced services, royalties for use of Intellectual Property (IP) rights and recharge of third party costs.

5.5 Net impairment losses on financial assets

	<u>2020</u>	<u>2019</u>
	<i>€'000</i>	<i>€'000</i>
Bad debt	(3,417)	(4,198)
Loss allowance recognised in profit or loss during year	833	(1,058)
	<u>(2,584)</u>	<u>(5,256)</u>

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

- Cash and cash equivalents;
- Restricted cash in respect to customer accounts;
- Settlement assets;
- Trade and other receivables

Cash and cash equivalents and Restricted cash in respect to customer accounts

The Company applies the IFRS 9 simplified approach to measuring expected credit losses. Based on an external source (Bloomberg) of credit ratings; and the outstanding balance as at 31 December 2020 and 31 December 2019 the Company calculated the expected loss allowance for all cash and cash equivalents and restricted cash in respect to customer accounts.

Settlement assets and Trade and other receivables

The analysis has been based on historical information about possibilities of loss. The Company has therefore concluded that the expected loss rates are a reasonable approximation of the loss rates for these classes of assets.

5.6 Employee benefits expense

	<u>2020</u>	<u>2019</u>
	<i>€'000</i>	<i>€'000</i>
Included in administrative expenses:		
Wages and salaries	(6,880)	(6,041)
Social security costs	(757)	(632)
Other staff costs	(1,361)	(959)
Share based payment charge	(594)	-
Less: capitalised costs	100	111
	<u>(9,492)</u>	<u>(7,521)</u>

The average number of employees for the year ending 31 December 2020 and 31 December 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Customer service	-	2
Sales and Marketing	45	49
Product Strategy	9	6
Finance	15	13
Compliance and risk	10	11
Management	1	1
	<u>80</u>	<u>82</u>

5.7 Other gains

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”). Due to Brexit, 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.

In Aug 2020, the Company has entered into a business transfer agreement with Paysafe Payment Solutions Limited (a subsidiary), to transfer its EEA business and assets. The consideration for the business as going concern was €56,200,000 which was satisfied by the Buyer (Paysafe Payment Solutions Limited) issuing to the Seller (Skrill Limited) 28,100,000 Ordinary Shares. The transaction resulted in a gain on sale of business of €56,200,000 and loss of €35,102,000 revenue from end customers and FX spread in the Company for 2020. The consideration and the gain are the same amount as business assets transferred comprised customer contracts that were not previously recognised on balance sheet. Following the sale of the business, Paysafe Payment Solutions Limited will operate the wallets business within the EEA under CBI regulation, with continued operational support provided by Skrill Limited.

For the avoidance of doubt, Skrill Limited will continue to own and operate the Skrill business in relation to UK and Rest of the World merchants and customers.

5.8 Finance costs

	<u>2020</u>	<u>2019</u>
	<i>€'000</i>	<i>€'000</i>
Interest expense on lease liabilities	(237)	(321)
Other interest expense	(12)	-
	<u>(249)</u>	<u>(321)</u>

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5.9 Finance income

	2020	2019
	<u>€'000</u>	<u>€'000</u>
Interest income on related party loans	10,570	6,120
	<u>10,570</u>	<u>6,120</u>

6. Income tax

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	2020	2019
	<u>€'000</u>	<u>€'000</u>
Current income tax charge		
Tax arising from the current period	(915)	-
Adjustments for prior year tax	<u>(1,776)</u>	<u>83</u>
	<u>(2,691)</u>	<u>83</u>
Deferred tax expense		
Deferred tax arising from the current period	(93)	(439)
Adjustments for prior year tax	<u>-</u>	<u>142</u>
	<u>(93)</u>	<u>(297)</u>
Total tax charge	<u>(2,784)</u>	<u>(214)</u>

UK corporation tax has been charged at 19% (2019: 19%) and Irish corporation tax has been charged at 12.5% (2019: n/a). UK deferred tax is calculated based on 19% tax rate (2019: 17%).

Reconciliation between tax expense and the product of accounting profit multiplied by the domestic tax rate for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
	<u>€'000</u>	<u>€'000</u>
Accounting profit before income tax	<u>74,523</u>	<u>54,150</u>
Income tax expense calculated at Skrill income tax rate of 19% (2019: 19%)	(14,159)	(10,289)
Difference in tax rates between branch and Skrill Limited	318	-
Expenses not deductible for tax purposes	-	(183)
Gain on sale of business	10,640	-
Research and development	(1,140)	-
Group relief utilised	3,360	10,094
Adjustments in respect to deferred income tax of previous years	-	142
Adjustments in respect to current income tax of previous years	(1,776)	-
Other	<u>(27)</u>	<u>22</u>
At the effective income tax rate of 3.73% (2019: 0.4%)	<u>(2,784)</u>	<u>(214)</u>

UK corporation tax has been charged at 19% (2019: 19%). Under Finance Act 2016 the main rate of UK corporation tax was 19% for periods beginning 1 April 2019 and was to reduce to 17% for periods beginning 1 April 2020. Finance Act 2020, which received Royal Assent on 22 July 2020, increased the main rate of UK corporation tax from 17% to 19% for periods beginning 1 April 2020.

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6. Income tax (continued)

Deferred taxes at 31 December 2020 and 31 December 2019 relate to the following:

	Statement of financial position		Statement of comprehensive income	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000
Accelerated depreciation/amortisation for accounting purposes	376	469	(93)	(131)
Other	224	224	-	(166)
Deferred tax expense			(93)	(297)
Deferred tax asset	600	693		

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

7. Property, plant and equipment

	Computer equipment €'000	Fixtures, fittings and equipment €'000	Right of use asset €'000	Total €'000
Cost				
At 1 January 2019	5,186	1,534	-	6,720
Additions	288	65	7,237	7,590
Disposals	(4)	-	-	(4)
At 31 December 2019	5,470	1,599	7,237	14,306
Additions	193	84	-	277
Disposals	(82)	-	(1,180)	(1,262)
At 31 December 2020	5,581	1,683	6,057	13,321
Depreciation				
At 1 January 2019	(4,884)	(995)	-	(5,879)
Depreciation for the year	(227)	(129)	(1,557)	(1,913)
Disposals	4	-	-	4
Other	-	(7)	-	(7)
At 31 December 2019	(5,107)	(1,131)	(1,557)	(7,795)
Depreciation for the year	(210)	(131)	(1,290)	(1,631)
Disposals	81	-	1,069	1,150
At 31 December 2020	(5,236)	(1,262)	(1,778)	(8,276)
Net book value				
At 31 December 2019	363	468	5,680	6,511
At 31 December 2020	345	421	4,279	5,045

Impairment of equipment

The Company conducted a review for impairment of equipment at 31 December 2020. No indicators were identified where the carrying amount of the assets exceeded their recoverable amount and therefore no impairment loss was recognised in the financial statements (2019: nil).

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8. Intangible assets

	Software and website development	Domain names	Total
	€'000	€'000	€'000
Cost			
At 1 January 2019	399,722	52,548	452,270
Additions	14,281	2	14,283
Disposals	(34)	-	(34)
At 31 December 2019	413,969	52,550	466,519
Additions	116	-	116
Additions IP	8,637	-	8,637
Disposals	(33,878)	(46)	(33,924)
Disposals IP	(387,436)	(52,504)	(439,940)
At 31 December 2020	1,408	-	1,408
Amortisation			
At 1 January 2019	(171,071)	(21,039)	(192,110)
Amortisation for the year	(87,497)	(10,505)	(98,002)
Disposals	15	-	15
At 31 December 2019	(258,553)	(31,544)	(290,097)
Amortisation for the year	(85,761)	(6,127)	(91,888)
Disposals	33,878	46	33,924
Disposals IP	310,132	37,625	347,757
At 31 December 2020	(304)	-	(304)
Net book value			
At 31 December 2019	155,416	21,006	176,422
At 31 December 2020	1,104	-	1,104

On 31 July 2020 the Company assigned and transferred by deed all legal and beneficial right, title and interest in Intellectual Property (IP) rights to a related party, it was transferred at net book value (€92,187,803) and no gain or loss was realized. As a result of the transaction, the Company entered into an intellectual property agreement with Paysafe Holdings UK Limited (a related party) for use of the Skrill domain names, trade marks and technology.

Impairment of intangible assets

The Company conducted a review for impairment of intangible assets at 31 December 2020. 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 (2019: €nil).

Revision of estimated useful lives of intangible assets

During the period ended 31 December 2019, management reassessed the estimated useful lives of the intangible assets, resulting in the revision of the useful lives of certain software. The revised useful lives reflect management best estimates of the period during which the assets will be used. Software useful lives were shortened following progression in the consolidation of the legacy platforms into a unified platform, resulting in an accelerated retirement of the legacy platform. The impact of the useful lives' revision was an accelerated amortisation charge of €37,800,000 (2019: €5,400,000) in the period ended 31 December 2020.

9. Investments in subsidiaries

	2020	2019
	€'000	€'000
Cost		
At 1 January	-	-
Additions	106,867	-
Impairment	-	-
At 31 December	106,867	-

9. Investments in subsidiaries (continued)

In Aug 2020 the Company entered into assignment for the purchase 10,697,331 Ordinary Shares of €1.00 each of Paysafe Payment Solutions Limited with a related party.

In Aug 2020, the Company has entered into a business transfer agreement with Paysafe Payment Solutions Limited to transfer its EEA business and assets (see Note 5.7). The consideration for the business as going concern was €56,200,000 which was satisfied by the Buyer (Paysafe Payment Solutions Limited) issuing to the Seller (Skrill Limited) 28,100,000 Ordinary Shares.

In Aug 2020, Paysafe Payment Solutions Limited issued 10,923,000 ordinary shares of €1.00 each which were fully subscribed by the Company.

In Dec 2020, the Company entered into assignment for the purchase 18,558,069 Ordinary Shares of €1.00 each of Paysafe Payment Solutions Limited with Paysafe Financial Services Limited (a related party).

The directors have considered the value of the investments as at the reporting date to be supported by their underlying assets. The Company's investments at the reporting date in the share capital of companies comprise ordinary shares and include the following:

Associate	Registered Address	Effective percentage held as of 31 December	
		2020	2019
Paysafe Payment Solutions Limited	Grand Canal House, Grand Canal Street Upper, Dublin 4, Ireland	100%	-

10. Trade and other receivables

	2020	2019
	€'000	€'000
Trade receivables	1,578	1,690
Receivables from related parties (Note 16)	37,985	20,789
Accrued deposit interest	78	395
Other receivables	337	584
	39,978	23,458

Presented against trade receivables are allowances for expected credit losses of €932,945 (2019: €479,000)

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

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

11. Restricted cash in respect to customer accounts

Restricted cash in respect to customer accounts represents amounts held in segregated bank accounts, held on behalf of consumers and merchants. In compliance with the safeguarding provisions within the Financial Conduct Authority ("FCA") Electronic Money Regulations 2011 and Payment Services Regulations 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.

11. Restricted cash in respect to customer accounts (continued)

These segregated bank accounts are held with the Company's principal bankers and are segregated from operating funds. Restricted cash in respect to 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 month and five years and earn interest of -0.07% to 2.05% per annum. The Company can redeem the deposits at any time before their maturity dates.

	2020	2019
	€'000	€'000
Cash at banks	119,360	261,024
Deposits	154,607	221,259
	<u>273,967</u>	<u>482,283</u>

12.1 Share capital

Authorised shares

The authorised capital of Skrill Limited is 350,000 ordinary shares of £1 each. As disclosed below part of the authorised capital has remained unissued as at 31 December 2020.

Issued and fully paid shares

	Shares number	€'000
At 31 December 2020 and 2019	<u>321,665</u>	<u>497</u>
Ordinary euro shares of 1.547 € each	321,665	497

12.2 Capital contribution reserve

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

12.3 Retained earnings

Retained earnings includes €56.2m from the sale of the EEA business during the year as set out in note 5.7. These amounts are considered non-distributable due to the consideration being non qualifying in accordance with the guidance contained within Tech 02/17. This reserve will be available for distribution when the unrealised profit to which it relates to becomes realised (i.e. through sale or distribution in kind of the shares in Paysafe Payment Solutions Limited)

	2020	2019
	€'000	€'000
Retained earnings available for distribution	20,937	145,992
Retained earnings not available for distribution	56,200	-
Total retained earnings as at 31 December	<u>77,137</u>	<u>145,992</u>

13. Funds payable and amounts due to customers

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

As a FCA regulated entity, Skrill Limited is required to keep sufficient safeguarded funds to cover the amount of e-money which need to be segregated before the next reconciliation and not excessive funds on the required safeguarded

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amount (to minimize risks arising from commingling). The Company has been in full compliance with the above requirement.

14. Trade and other payables

	2020 €'000	2019 €'000
Trade payables	1,314	705
Payables to related parties (Note 16)	24,709	20,362
Other payables	8,807	11,459
Accruals for commissions and merchant rebates	5,509	4,969
Other taxes, employment taxes and social security	1,715	1,459
	42,054	38,954

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

15. Commitments and contingencies

Capital commitments

At 31 December 2020 (2019: None) the Company did not have any capital commitments.

Legal claims

There were no significant legal claims against the Company.

FCA regulatory capital requirements

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

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

	2020 €'000	2019 €'000
Regulatory own funds	72,243	293,041
FCA regulatory capital requirements	(7,449)	(10,406)
Capital surplus	64,794	282,635

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16. Related party disclosure

Ultimate parent

The ultimate parent of the Company as at 31 December 2020 was Pi Jersey Topco Limited, a company registered in Jersey. Following the completion of the Transaction, as described in Note 18, Paysafe Limited, a company incorporated in Bermuda, became the Company's ultimate parent company.

Direct parent

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

Intermediate parents

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

Subsidiary

The subsidiary of the Company is Paysafe Payment Solutions Limited under company number 626665.

Representative offices

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

Skrill Limited has a registered branch in Ireland. The branch was registered on 4 February 2019 under company number 909073.

Other related parties

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

Amounts due from related parties – current

Trade and other receivables from related parties	<u>2020</u>	<u>2019</u>
	<i>€'000</i>	<i>€'000</i>
<i>Direct parent</i>	128	-
<i>Intermediate parents</i>	13,069	-
<i>Subsidiaries</i>	19,405	-
<i>Other related parties</i>	<u>5,383</u>	<u>20,789</u>
	<u>37,985</u>	<u>20,789</u>

Amounts due to related parties – current

Trade and other payable to related parties	<u>2020</u>	<u>2019</u>
	<i>€'000</i>	<i>€'000</i>
<i>Intermediate parents</i>	602	3,572
<i>Other related parties</i>	<u>24,107</u>	<u>16,790</u>
	<u>24,709</u>	<u>20,362</u>

16. Related party disclosure (continued)

Amounts due to related parties – current (continued)

Sales to related parties

Related party	Nature of transactions	2020	2019
		€'000	€'000
<i>Intermediate parents</i>	Rendering services	26	30
<i>Subsidiaries</i>	Rendering services	24,032	-
<i>Other related parties</i>	Rendering services	45,397	87,569

Purchases from related parties

Related party	Nature of transactions	2020	2019
		€'000	€'000
<i>Direct parent</i>	Receiving services	13	-
<i>Intermediate parents</i>	Receiving services	395	9,845
<i>Subsidiaries</i>	Receiving services	537	-
<i>Other related parties</i>	Receiving services	60,416	68,324

Terms and conditions of transactions with related parties

The purchases and sales from/to related parties are made based on the contractual terms. Outstanding balances at year end are unsecured, interest free and settlement occurs either in cash or through offsetting. For the year ended 31 December 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2019: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Loans granted to related parties

	Maturity	2020	2019
		€'000	€'000
<i>Intermediate parents</i>			
€350,000,000 related party loan, at nominal value (Paysafe Holdings UK Ltd.)	Feb-22	218,466	236,364
Interest receivable		697	624
<i>Other related parties</i>			
¥1,500,000,000 related party loan, at nominal value (Paysafe Japan KK.)	Aug-22	-	1,448
Interest receivable		-	-
		-	1,448
Total long term loan receivable		218,466	237,812

The interest rate charge on the loan granted to Paysafe Holdings UK Limited is 4% plus 1 month EURIBOR.

During the year Paysafe Japan KK repayed in full the related party loan.

17. Leases

As at 31 December 2020 Skrill Limited has one office lease with remaining lease term of 5 years. Skrill Limited's lease agreement does not contain any material residual value guarantees or material restrictive covenants. The Company considers these options in determining the lease term used to establish the right-of-use assets and lease liabilities. Skrill Limited's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

(i) Amounts recognised in the statement of financial position

Right-of-use-assets:

	As at 31 December 2020 €'000	As at 31 December 2019 €'000
Offices and corporate apartments	4,279	5,680
Total right-of-use-assets:	4,279	5,680

Lease liabilities:

	As at 31 December 2020 €'000	As at 31 December 2019 €'000
Current	1,118	1,444
Non-current	3,666	4,826
Total lease liabilities	4,784	6,270

(ii) Amounts recognised in profit and loss

	Period ended 31 December 2020 EUR'000	Period ended 31 December 2019 EUR'000
Depreciation expense on right-of-use assets	1,290	1,557
Interest expense on lease liabilities (included in Finance cost)	237	321

The total cash outflow for leases was €1,280,000 (2019: €1,603,000).

18. Events after the reporting date

On 30 March 2021, Paysafe Group management announced the completion of a merger with FTAC, a special purpose acquisition company (the "Transaction"). Under the terms of the Transaction, FTAC combined with Paysafe Group and in connection with the business combination, the newly combined company became publicly traded entity under the name "Paysafe Limited", trading on the New York Stock Exchange (NYSE) under the symbol "PSFE" as of 31 March 2021. Following the completion of the Transaction, Paysafe Limited, a company incorporated in Bermuda, became the Company's ultimate parent company.

Further, the Transaction qualified as an Exit Event under the share-based payment Plan, which resulted in the full vesting of all outstanding A ordinary shares and B ordinary shares that had been granted to the Company's employees.