

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



**Skrill Limited**

ANNUAL FINANCIAL STATEMENTS  
31 December 2019

**Skrill Limited**

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**Skrill Limited**

General information

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**Board of Directors**

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

**Registered office**

25 Canada Square  
London  
E14 5LQ

**Registered number**

4260907 (England and Wales)

**Auditor**

Deloitte LLP  
4 Brindley Place  
Birmingham  
B1 2HZ

**Company Website:**

[www.skrill.com](http://www.skrill.com)

**Skrill Limited**  
**STRATEGIC REPORT**  
for the year ended 31 December 2019

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The directors present their Strategic report on Skrill Limited (“the Company” or “Skrill”) for the year ended 31 December 2019.

**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.

Paysafe Group (of which the Company is part) is owned primarily by funds of Blackstone and CVC Capital Partners (“CVC”).

**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 2019, 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 FY20 supported by consolidation of two legacy platforms to enhance IT development timelines and reduce operational cost.

2019 was a successful year for the Company, with revenue up 30% and gross profit up 28%. The growth in the year has been driven by a mixture of successful product and user experience developments and growth in key markets.

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. As we move into FY20 we expect to monetise key remittance routes for this service. In addition, our Rapid Transfer online banking payment solution continued its momentum with new deployments to several large merchants.

During 2019 the Company launched Skrill Knect - a loyalty programme that rewards customers for using their wallet or prepaid Mastercard®. Customers earn points to exchange for e-money, merchant discounts, gift cards, or interests in cryptocurrency via the Skrill Cryptocurrency Service. By the end of the year it had launched in more than 50 countries, with plans to roll it out in all countries where Skrill is available.

Enhancements were made to our Cryptocurrency Service, with a new crypto-to-crypto buy and sell feature launching for the Skrill wallet, enabling quicker and more efficient cryptocurrency transactions.

Furthermore, Skrill achieved further industry recognition in 2019, being named Best Digital Wallet by industry analyst firm Juniper Research.

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**STRATEGIC REPORT**

for the year ended 31 December 2019

**REVIEW OF THE BUSINESS (continued)**

Subsequent to the Company's year-end, the coronavirus outbreak has occurred and developed such that on 11 March 2020, the World Health Organization has characterized the outbreak as a pandemic. The expected impact of Covid-19 on the Company is disclosed in further detail within the Directors' report and the post balance sheet events note (Note 19). As disclosed within these notes, from the detailed analysis performed by the Paysafe Group and the Company on the expected impact of Covid-19, the Company's directors have concluded that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Company's base case forecast indicates the Company is expected to operate well within its regulatory capital requirements and to have sufficient cash to meet its ongoing obligations for a period of at least 12 months from the date of signing the financial statements.

**RESULTS**

*Revenue and Gross Profit*

|                     | 2019    | 2018    |
|---------------------|---------|---------|
|                     | €'000   | €'000   |
| Revenue             | 292,317 | 224,468 |
| Gross Profit        | 242,956 | 189,726 |
| Gross Profit Margin | 83%     | 85%     |
| Volume (€m)         | 11,709  | 10,557  |
| Take rate           | 1.7%    | 1.5%    |

Revenue increased by €67,849,000 (30%) to €292,317,000. The increase is due to growth in both core and emerging markets. The revenue for 2019 noted above includes an amount of €4,245,000 (2018: €4,773,000) relating to interest income derived from the investment of funds generated from e-money float and €86,871,000 (2018: €56,351,000) relating to distribution fees charged to related parties for using intellectual property operated and maintained by Skrill Limited.

Gross profit increased by €53,230,000 (28%) to €242,956,000 due to the reasons noted above. Gross profit margin declined from 85% to 83% primarily due to change in business mix.

Volume has increased by 11% due primarily to the core reasons as noted above for revenue. Take rate increased from 1.5% in 2018 to 1.7% in 2019 due to changes in the business mix and review of certain fees we charge members.

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

*Operating profit*

The Company's profit before interest and taxes for the financial year increased by €31,176,000 (182%) to €48,351,000. The increase was driven mainly by the increase in gross profit. Selling and marketing expenses increased by €4,437,000 (79%) to €10,036,000. Significant investments were made in digital marketing and sponsorship in order to promote new and existing products of the Company. Administrative expenses increased by €17,071,000 (10%) to €184,720,000. Amortization charge increased by €7,629,000 (8%) to €98,002,000. 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 of was an accelerated amortisation of €5,400,000 in the period ended 31 December 2019. During the year no dividends were distributed (2018: €257,500,000).

*Cash Flow*

Cash flows from operations before movements in payments working capital increased by €6,162,000 (4%) to €158,104,000. The increase is due to increase in operating profit, 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.

**Skrill Limited**  
**STRATEGIC REPORT**

for the year ended 31 December 2019

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**RESULTS (continued)**

*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 increased by €24,874,000 to €32,577,000 due to an increase in the Company's requirements to prefund certain partners as part of its settlement cycle.

**DISCLOSURES OF PRINCIPAL RISKS AND UNCERTAINTIES**

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

*Regulatory*

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

*The European Union*

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

*Brexit*

Throughout FY19 the Company operated its business with EEA customers under UK Financial Conduct Authority (FCA) licence – taking advantage of the passporting regime into the European Economic Area ("EEA"). The Company took a prudent approach to Brexit planning, which assumed full loss of passporting post the end of the transition period. Consequently, in FY19 a related party company has obtained licenses, and completed the necessary passporting notifications from the Central Bank of Ireland (CBI) to enable the continuation of operations within ongoing EEA jurisdictions. Our operational readiness planning in relation the Digital Wallet business is at an advanced stage. The Directors continue to monitor developments and will respond accordingly.

*Fraud risk*

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

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

*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.

*Breach of data privacy compliance*

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

*Bank concentration risk*

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

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

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

*Fluctuations in currency exchange rates*

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

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**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.

**Skrill Limited**  
**STRATEGIC REPORT**  
for the year ended 31 December 2019

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**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 2020. However, we believe that the Company is well positioned to grow from its current market share and improve its profitability in the future.

**SECTION 172(1) 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 annual staff survey (as well as related the topics such as leadership and satisfaction with managers). The results of these surveys are analyzed and then plans to put in place to improve in targeted areas with year on year tracking.

*Board composition*

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

**Skrill Limited**  
**STRATEGIC REPORT**  
for the year ended 31 December 2019

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**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 defence, the Board is supported in its work by an independent internal audit team which provides regular reports to the Board and its Committees as relevant.

*Opportunity and Risk*

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

Paysafe 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 produce 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 2020, the Board will continue to review and challenge how the Company can improve engagement with its employees and stakeholders.

**ON BEHALF OF THE BOARD:**

DocuSigned by:  
  
.....CB388BB0412647B.....

Fayyaz Ansari  
**Director**  
24 June 2020

**Skrill Limited**  
**DIRECTORS' REPORT**  
for the year ended 31 December 2019

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The Directors present their report with the audited financial statements of Skrill Limited for the year ended 31 December 2019.

**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 FY19 the Company has remained highly cash generative with net cashflows from operating activities before payments working capital totaling €158,104,000 for the period (2018: €151,942,000) and total cash as at 31 December 2019 of €34,449,000 (2018: €7,837,000).

As noted in Note 19, Events after the balance sheet date, subsequent to the Company's year-end the coronavirus outbreak (Covid-19) has occurred and developed such that on 11 March 2020, the World Health Organization has characterized the outbreak as a pandemic. Consequently, Paysafe Group and the Company have 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 and the assumptions used are disclosed in more detail in Note 2.1 to the financial statements.

As a result of the detailed analysis performed by the Company in the development of a revised base case forecast (the 'base case'), including the high levels of available liquidity, an assessment of performance since the Covid-19 outbreak, the wide range of potential cost mitigation actions available to the Paysafe Group and the Company, the Company's directors have concluded that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements, as this base case forecast indicates the Company is expected to operate well within its regulatory capital requirements and to have sufficient cash to meet its ongoing obligations for a period of at least 12 months from the date of signing the financial statements.

However, at the time of issuing the Annual Report and Accounts there are unprecedented conditions as a result of the impacts of the extensive social distancing and associated retail sector and sports competition suspensions in Europe that are expected to have a material impact on both consumer leisure spending and on our sports gambling merchants. As a consequence, 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 that the Board's confidence in the Company's forecasts and ability to deliver cost and cash management actions 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 2020, 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.

**Skrill Limited**  
**DIRECTORS' REPORT**  
for the year ended 31 December 2019

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**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**

*Brexit*

The UK left the EU on 31 January 2020 and has now entered an 11-month transition period. Throughout 2019 the Company operated significant elements of its business with EEA customers under UK Financial Conduct Authority (FCA) licences, taking advantage of the passporting regime into the European Economic Area ("EEA"). In 2019 a separate related party entity 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. The operational readiness planning in relation to the transition of the EEA customers to the related party entity is at an advanced stage. The Company generated 67% of its revenue from end customers from the EEA during 2019 (note 5.1).

*COVID-19*

Subsequent to the Company's year-end, the coronavirus outbreak has occurred and developed such that on 11 March 2020, the World Health Organization has characterized the outbreak as a pandemic. The Paysafe Group (part of which is the Company) had in place a pandemic response programme to ensure it was prepared for scenarios that might threaten our core business activities including our people, our customers and merchant and society at large. A core element of the Paysafe Group's response has been the establishment of a Pandemic Working Group, consisting of Executive Team members, that meets daily to drive the pandemic response strategy.

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**DIRECTORS' REPORT**  
for the year ended 31 December 2019

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**POST BALANCE SHEET EVENTS (continued)**

*COVID-19 (continued)*

The Paysafe Group's response to COVID-19 can be split into the following key areas:

- **People and Business Continuity** – as a high technology-based company there has not been a material impact to the Paysafe Group's ability to operate in a 'business as usual' manner. All critical functions have previously been tested as part of the Paysafe Group's business continuity planning, with the Paysafe Group's employees having all necessary equipment and capabilities to complete their work remotely. Employee wellbeing surveys are being issued to assess and mitigate impacts to employee wellbeing whilst working remotely. In addition, our core payment technology and platform offering remains materially unaffected and the business is able to continue to offer its payment services and products to its customers.
- **Credit Exposures** – as noted in our risk management disclosures, the Company may be exposed to increased counterparty credit risk. The credit risk arises mainly as the Company holds client money with credit institutions, in line with its regulatory obligations as a licensed e-money institution and has receivables from payment partners where the Company is in the flow of funds. The economic impact of COVID-19 has increased this risk – accordingly a full bank and partner review has been conducted to ensure potential exposures are actively managed within the risk appetite of the Company. Resultant actions taken have included:
  - o Concentration of client funds across various investment grade, systemically important banks
  - o Reducing payment processing volume and pre-funding amounts via smaller partners which pose a higher credit risk
  - o Increasing the frequency of pre-funding to minimise the duration of unnecessary balances, thereby minimizing exposure
  - o Establishing a mechanism to monitor the default risk of the Company's portfolio of counterparties, taking appropriate action to shift liquidity as and when necessary
- **Supplier Review** – Paysafe Group has recently aligned its outsourcing and supplier management framework to the European Banking Authority (EBA) guidelines and identified all key suppliers. In response to a heightened risk of key supplier failure, the Paysafe Group has commenced an operational resilience review of all critical suppliers aligned with our critical activities. To date this has focussed on those top 20 most critical suppliers and will be progressively actioned across a second tier of suppliers - a material impact from critical suppliers has not been experienced by the business.
- **Liquidity Scenario Analysis** – the Company has conducted a detailed scenario analysis to ensure it has adequate liquidity to support the business even in a prolonged, high-impact scenario. As a result of this analysis, management have identified and taken certain actions to manage liquidity through this period. These actions include:
  - o Agreed an increase in the amount of intercompany loan granted from a related party from €200m to €350m which will allow the Company access to liquidity, if required. The Company has not utilized the intercompany loan to date
  - o Cost management actions: Proactive cost management actions have been taken by the Company in order to manage cash and profitability levels and assure continued compliance with the Company's regulatory capital requirements. More detail is provided within the going concern note (Note 2.1)
  - o Government tax relief and payment deferrals: The Company is monitoring the UK initiatives and investigating both exemptions and the potential to defer VAT, payroll and other tax payments wherever possible.

As these events arose after the reporting date and do not provide evidence of a condition that existed at 31 December 2019, these are considered non-adjusting subsequent events. While the extent and duration of the effect of the coronavirus outbreak on the Company and our partners remains unclear, certain of the estimates and judgements made in the preparation of the financial statements as at 31 December 2019 may change. However, management are not able to reliably estimate the impact a reduction in global economic activity and market prices might reasonably have on the carrying value of the Company's assets and liabilities. More detail is provided in Note 19 to these financial statements.

**Skrill Limited**  
**DIRECTORS' REPORT**  
for the year ended 31 December 2019

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**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 (appointed 14 August 2019, resigned 30 April 2020)  
M Bojilov

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

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

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

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

**STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR**

So far as each of the directors are aware, there is no relevant audit information (as defined by Section 418 (1) to (4) of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**AUDITOR**

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

**Skrill Limited**  
**DIRECTORS' REPORT**  
for the year ended 31 December 2019

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

**ON BEHALF OF THE BOARD:**

DocuSigned by:



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Fayyaz Ansari

**Director**

24 June 2020

**Skrill Limited**  
**INDEPENDENT AUDITOR'S REPORT**  
for the year ended 31 December 2019

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**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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

**Basis for opinion**

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

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

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as

**Skrill Limited**  
**INDEPENDENT AUDITOR'S REPORT**  
for the year ended 31 December 2019

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the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

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


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

We have nothing to report in respect of these matters.

**Use of our report**

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

DocuSigned by:



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Stewart Cumberbatch, FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, UK  
24 June 2020

**Skrill Limited**  
**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2019

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|  | Notes    | <u>2019</u>          | <u>2018</u>          |
|--|----------|----------------------|----------------------|
|  |          | €'000                | €'000                |
| Revenue  | 5.1      | 292,317              | 224,468              |
| Cost of sales                                  | 5.3      | <u>(49,361)</u>      | <u>(34,742)</u>      |
| <b>Gross profit</b>                            |          | <b>242,956</b>       | <b>189,726</b>       |
| Other operating income                         | 5.2      | 151                  | 697                  |
| Selling and marketing expenses                 |          | (10,036)             | (5,599)              |
| Administrative expenses                        | 5.4; 5.5 | <u>(184,720)</u>     | <u>(167,649)</u>     |
| <b>Operating profit</b>                        |          | <b>48,351</b>        | <b>17,175</b>        |
| Finance costs                                  | 5.6      | (321)                | (57)                 |
| Finance income                                 | 5.7      | <u>6,120</u>         | <u>9,311</u>         |
| <b>Profit before tax</b>                       |          | <b>54,150</b>        | <b>26,429</b>        |
| Income tax income/(expense)                    | 6        | <u>(214)</u>         | <u>693</u>           |
| <b>Profit for the year</b>                     |          | <b><u>53,936</u></b> | <b><u>27,122</u></b> |
| Other comprehensive income for the year        |          | <u>-</u>             | <u>-</u>             |
| <b>Total comprehensive income for the year</b> |          | <b><u>53,936</u></b> | <b><u>27,122</u></b> |

The Directors consider all results to derive from continuing activities.

The notes on pages 21 to 52 form an integral part of these financial statements.

**Skrill Limited**  
**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2019

|   | Notes | 2019             | 2018           |
|---|-------|------------------|----------------|
|   |       | €'000            | €'000          |
| <b>ASSETS</b>                                   |       |                  |                |
| <b>Non-current assets</b>                       |       |                  |                |
| Equipment                                       | 7     | 831              | 841            |
| Right of use assets                             |       | 5,680            | -              |
| Intangible assets                               | 8     | 176,422          | 260,160        |
| Long term loans to related parties              | 15    | 237,812          | 141,057        |
| Deferred tax assets                             | 6     | 693              | 990            |
|   |       | <b>421,438</b>   | <b>403,048</b> |
| <b>Current assets</b>                           |       |                  |                |
| Prepaid expenses                                |       | 1,274            | 866            |
| Income tax receivable                           |       | 2,184            | 2,102          |
| Trade and other receivables                     | 9     | 23,458           | 53,057         |
| Settlement assets                               |       | 74,764           | 28,912         |
| Restricted cash in respect to customer accounts | 10    | 482,283          | 502,988        |
| Cash and cash equivalents                       |       | 34,449           | 7,837          |
|   |       | <b>618,412</b>   | <b>595,762</b> |
| <b>TOTAL ASSETS</b>                             |       | <b>1,039,850</b> | <b>998,810</b> |
| <b>Equity</b>                                   |       |                  |                |
| Share capital                                   | 11.1  | 497              | 497            |
| Share premium                                   |       | 323,177          | 323,177        |
| Capital contribution reserve                    | 11.2  | 490              | 490            |
| Retained earnings                               |       | 145,992          | 92,056         |
| <b>TOTAL EQUITY</b>                             |       | <b>470,156</b>   | <b>416,220</b> |
| <b>Non-current liabilities</b>                  |       |                  |                |
| Lease liabilities                               |       | 4,826            | -              |
|   |       | <b>4,826</b>     | <b>-</b>       |
| <b>Current liabilities</b>                      |       |                  |                |
| Funds payable and amounts due to customers      | 12    | 524,470          | 516,947        |
| Trade and other payables                        | 13    | 38,954           | 65,643         |
| Lease liabilities                               | 16    | 1,444            | -              |
|   |       | <b>564,868</b>   | <b>582,590</b> |
| <b>TOTAL LIABILITIES</b>                        |       | <b>569,694</b>   | <b>582,590</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>             |       | <b>1,039,850</b> | <b>998,810</b> |

The accompanying financial statements were authorised for issue with a resolution of the Board of Directors 23 June 2020.

DocuSigned by:



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Fayyaz Ansari

**Director**

24 June 2020

**Skrill Limited registered number: 4260907**

The notes on pages 21 to 52 form an integral part of these financial statements.

**Skrill Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2019

|                               | Share capital<br>(Note 11.1) | Share<br>premium<br>(Note 11.1) | Capital<br>contribution<br>reserve (note 11.2) | Retained<br>earnings | Total          |
|-------------------------------|------------------------------|---------------------------------|--|----------------------|----------------|
|                               | €'000                        | €'000                           | €'000  | €'000                | €'000          |
| <b>As at 1 January 2018</b>   | <b>496</b>                   | <b>1,210</b>                    | <b>490</b>                                     | <b>322,434</b>       | <b>324,630</b> |
| Allotment of shares           | 1                            | 321,967                         | -  | -                    | 321,968        |
| Dividend distribution         | -                            | -                               | -  | (257,500)            | (257,500)      |
| Total comprehensive income    | -                            | -                               | -  | 27,122               | 27,122         |
| <b>As at 31 December 2019</b> | <b>497</b>                   | <b>323,177</b>                  | <b>490</b>                                     | <b>92,056</b>        | <b>416,220</b> |
| <b>As at 1 January 2019</b>   | <b>497</b>                   | <b>323,177</b>                  | <b>490</b>                                     | <b>92,056</b>        | <b>416,220</b> |
| Total comprehensive income    | -                            | -                               | -  | 53,936               | 53,936         |
| <b>As at 31 December 2019</b> | <b>497</b>                   | <b>323,177</b>                  | <b>490</b>                                     | <b>145,992</b>       | <b>470,156</b> |

The notes on pages 21 to 52 form an integral part of these financial statements.

**Skrill Limited**  
**STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2019

|   | Notes | 2019<br>€'000    | 2018<br>€'000    |
|---|-------|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>   |       |                  |                  |
| <b>Profit before tax</b>  |       | <b>54,150</b>    | <b>26,429</b>    |
| Non-cash adjustment to reconcile profit for the year to net cash flows: |       |                  |                  |
| Depreciation and amortisation   | 5.4   | 99,915           | 90,817           |
| Impairment of financial instruments                                     |       | 1,058            | 452              |
| Tax relief on research and development                                  |       | 1                | (678)            |
| Finance income  | 5.7   | (6,120)          | (9,311)          |
| Cash flows from operations before movements in working capital          |       | <b>149,004</b>   | <b>107,709</b>   |
| Decrease/(Increase) in trade and other receivables                      |       | 35,596           | (1,277)          |
| (Increase)/Decrease in prepaid expenses                                 |       | (408)            | 78               |
| (Decrease)/Increase in trade and other payables                         |       | (26,088)         | 45,432           |
| Cash flows from operations before movements in payments working capital |       | <b>158,104</b>   | <b>151,942</b>   |
| Increase in settlement assets   |       | (46,117)         | (2,107)          |
| Decrease/(Increase) in restricted cash in respect to customer           |       | 19,965           | (27,269)         |
| Decrease in funds payable and amounts due to customers                  |       | 7,523            | 37,907           |
| Cash flows from operations after movements in payments working capital  |       | <b>139,475</b>   | <b>160,474</b>   |
| Taxes received  |       | -                | 321              |
| Net cash inflows from operating activities                              |       | <b>139,475</b>   | <b>160,795</b>   |
| <b>INVESTING ACTIVITIES</b>   |       |                  |                  |
| Purchase of equipment   |       | (366)            | (185)            |
| Purchase of intangibles   |       | (14,209)         | (14,025)         |
| Loans granted   |       | (107,307)        | (158,911)        |
| Interest received   |       | 10,675           | 7,774            |
| Net cash used in investing activities                                   |       | <b>(111,207)</b> | <b>(165,347)</b> |
| <b>FINANCING ACTIVITIES</b>   |       |                  |                  |
| Lease paid  |       | (1,603)          | -                |
| Net cash flows used by financing activities                             |       | <b>(1,603)</b>   | -                |
| <b>Net increase/ (decrease) in cash and cash equivalents</b>            |       | <b>26,665</b>    | <b>(4,552)</b>   |
| Impairment of financial instruments                                     |       | (53)             | -                |
| Cash and cash equivalents at 1 January                                  |       | 7,837            | 12,389           |
| Cash and cash equivalents at 31 December                                |       | <b>34,449</b>    | <b>7,837</b>     |

The notes on pages 21 to 52 form an integral part of these financial statements.

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

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## **1. Corporate information**

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

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

## **2. Significant accounting policies**

### **2.1. Basis of preparation**

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

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

### **Going concern**

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

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

Through FY19 the Company has remained highly cash generative with net cashflows from operating activities before payments working capital totaling €158,104,000 for the period (2018: €151,942,000) and total cash as at 31 December 2019 of €34,449,000 (2018: €7,837,000).

As noted in Note 20, Events after the balance sheet date, subsequent to the Company’s year-end the coronavirus outbreak (Covid-19) has occurred and developed such that on 11 March 2020, the World Health Organization has characterized the outbreak as a pandemic. Consequently, 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 each of the following in detail in the development of the revised base case forecast (the ‘base case’):

- The Paysafe Group’s pandemic response plan, consequential actions taken and the demonstrated operational resilience of the business to the date of signing these financial statements – details of which are disclosed in more detail in Note 20, Events after the balance sheet date.
- The actions already taken to manage liquidity, including the agreed increase in the amount of intercompany loan granted from a related party from €200m to €350m which will allow the Company access to liquidity, if required. The Company has not utilized the intercompany loan till now
- An assessment of transaction volumes and revenue performance over a period that takes into account the expected impacts of the Covid-19 outbreak and the extensive social distancing and associated retail sector and sports competition suspensions in Europe has been used to inform key assumptions used in the base case model. The Company has an international merchant list that operates across many different service sectors, with some merchant sectors being more heavily impacted by the pandemic than others.
- A core assumption within the base case forecast of a 6-month pandemic impact on the Company’s merchants arising from social distancing and associated retail sector and sports competition suspensions in Europe and North America throughout this period with a resultant payment transaction volume and revenue reduction. A subsequent progressive recovery of transaction volumes and revenues has been assumed as social distancing measures are relaxed through Q4 of FY20.

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

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## **2. Significant accounting policies (continued)**

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

#### **Going concern (continued)**

- Planned cost mitigation actions available to the Company – including access to Governmental tax reliefs or deferrals and wider cost management programs that can be scaled when and if the pandemic economic impact is worse or prolonged beyond that in the base case forecast. The most material of these, including a temporary Group wide salary reduction of up to 30% for the most senior employees, scheduled pay rise cancellation for all employees and new role hiring slow down as well as significant travel savings, have been actioned at the date of signing the financial statements.

As a result of the detailed analysis performed by the Company in the development of a revised base case forecast (the 'base case'), including the high levels of available liquidity, an assessment of performance since the Covid-19 outbreak, the wide range of potential cost mitigation actions available to the Paysafe Group and the Company, the Company's directors have concluded that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements, as this base case forecast indicates the Company is expected to operate well within its regulatory capital requirements and to have sufficient cash to meet its ongoing obligations for a period of at least 12 months from the date of signing the financial statements.

However, at the time of issuing the Annual Report and Accounts there are unprecedented conditions as a result of the impacts of the extensive social distancing and associated retail sector and sports competition suspensions in Europe that are expected to have a material impact on both consumer leisure spending and on our sports gambling merchants. As a consequence, 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 that the Board's confidence in the Company's forecasts and ability to deliver cost and cash management actions support the preparation of the financial statements on a going concern basis.

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

#### **a) Foreign currencies**

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

#### **b) Revenue recognition**

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

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

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

**b) Revenue recognition (continued)**

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 (continued)*

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

*Deferred tax*

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

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

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

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

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

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

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

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

**c) Taxes (continued)**

*Purchase tax*

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

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

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

**d) 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.

**f) Leases**

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information for the period ended 31 December 2018 has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

*(i) Policies applicable from 1 January 2019*

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.

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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## **2.2. Summary of significant accounting policies (continued)**

### **f) Leases (continued)**

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.

#### *(ii) Policies applicable prior to 1 January 2019*

The Company acts as a lessee. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

### **g) Intangible assets**

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

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2.2. Summary of significant accounting policies (continued)**

**g) Intangible assets (continued)**

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

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

*Website and software development*

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

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 of three years.

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

**i) Financial instruments**

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

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

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

**j) Offsetting of financial instruments**

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

**k) Fair value measurement**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**m) Settlement assets**

Settlement assets arise as a result from timing differences in the Company's settlement process between the cash settlement of a transaction and the recognition of the associated liability (for example 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.

**Skrill Limited**  
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**2.2. Summary of significant accounting policies (continued)**

**n) 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.

**p) Cash and cash equivalents**

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

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

**q) Share capital**

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

**r) 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.

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

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

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

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

### **t) Share-based payments– equity settled transactions (continued)**

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

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

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

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

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

### **Judgements**

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

#### *Crypto assets and liabilities*

The Company hold crypto currency assets on behalf of its customers at the amount of €9,103,000 (2018: €2,458,000). All the risks and rewards associated with those assets are transferred to the customer, thus the Company does not recognise neither the asset nor the liability to the customers in its balance sheet.

### **Estimates**

There are no key assumptions concerning the future 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**

#### *Impact of initial application of IFRS 16 Leases*

In the current period, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 2. The impact of the adoption of IFRS 16 is described below.

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**4. Adoption of new and revised Standards (continued)**

*Impact of initial application of IFRS 16 Leases (continued)*

The date of initial application of IFRS 16 for the Company is 1 January 2019. The Company has applied IFRS 16 using the cumulative catch-up approach which:

- Requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

*(a) Impact of the new definition of a lease*

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

*(b) Impact on lessee accounting – former operating leases*

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, the Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17:

- The Company has excluded initial direct costs from the measurement of the right of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

*(c) Financial impact of initial application of IFRS 16*

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 5%.

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**4. Adoption of new and revised Standards (continued)**

*Impact of initial application of IFRS 16 Leases (continued)*

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

|   | <b>1 January 2019</b> |
|---|-----------------------|
|   | <b>€'000</b>          |
| Operating lease commitments at 31 December 2018       | 7,544                 |
| Effect of discounting the above amounts               | (1,736)               |
| <b>Lease liabilities recognised at 1 January 2019</b> | <b>5,808</b>          |
| <i>Of which are:</i>                                  |                       |
| Current lease liabilities                             | 918                   |
| Non-current lease liabilities                         | 4,889                 |
|   | <b>5,808</b>          |

The Company has recognised EUR 7.2m of right-of-use assets and EUR 5.8m of lease liabilities upon transition to IFRS 16. The difference of EUR 1.4m is a result of the transfer of net liabilities related to leases that were previously recognised under IAS 17.

*Other amendments to accounting standards effective for periods beginning on or after 1 January 2019*

In the current period, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 9 *Prepayment features with negative compensation*
- Amendments to IAS 28 *Long-term interests in associates and joint ventures*
- Annual improvements to IFRS standards 2015-2017 cycle amendments
  - o IFRS 3 *Business combinations*
  - o IFRS 11 *Joint arrangements*
  - o IAS 23 *Borrowing costs*
  - o IAS 12 *Income taxes*
- Amendments to IAS 19 *Employee benefits plan amendment, curtailment or settlement*
- IFRIC 23 *Uncertainty over income tax treatments*

*Future changes to accounting standards*

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

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**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>2019</u>           | <u>2018</u>           |
|------------------------------------|-----------------------|-----------------------|
|                                    | <i>€'000</i>          | <i>€'000</i>          |
| Revenue from end customers         | 157,911               | 127,701               |
| FX spread income                   | 46,730                | 40,053                |
| Interest income from e-money float | 4,245                 | 4,773                 |
| Other revenue                      | 87,714                | 57,471                |
| Rebates                            | <u>(4,283)</u>        | <u>(5,530)</u>        |
|                                    | <b><u>292,317</u></b> | <b><u>224,468</u></b> |

In Other revenues are included distribution fees charged to related parties in the amount of €86,871,000 (2018: €56,351,000) 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                      | 7,558                 | 8,055                 |
| Rest of Europe          | 102,491               | 86,108                |
| North and South America | 15,620                | 11,799                |
| Rest of the world       | <u>32,242</u>         | <u>21,739</u>         |
|                         | <b><u>157,911</u></b> | <b><u>127,701</u></b> |

**5.2 Other operating income**

|  | <u>2019</u>       | <u>2018</u>       |
|--|-------------------|-------------------|
|  | <i>€'000</i>      | <i>€'000</i>      |
| Tax relief on research and development | 138               | 696               |
| Gain on disposal of equipment          | <u>13</u>         | <u>1</u>          |
|  | <b><u>151</u></b> | <b><u>697</u></b> |

The company has claimed R&D relief under the large company regime (Chapter 6A Part 3 CTA 2009) by way of a R&D Expenditure Credit. The claims cover qualifying R&D expenditures incurred throughout FY 2017 (2018: FY 2015 and FY 2016).

**5.3 Cost of sales**

|                                  | <u>2019</u>            | <u>2018</u>            |
|----------------------------------|------------------------|------------------------|
|                                  | <i>€'000</i>           | <i>€'000</i>           |
| Transaction processing fees      | (35,185)               | (24,896)               |
| Bad debt                         | (4,198)                | (2,459)                |
| Commissions and referral bonuses | (9,810)                | (6,970)                |
| Promotions                       | <u>(168)</u>           | <u>(417)</u>           |
|                                  | <b><u>(49,361)</u></b> | <b><u>(34,742)</u></b> |

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

**5.4 Administrative expenses**

Included in administrative expenses for 2019 are charges from related parties less amounts capitalized at the amount of €64,708,000 (2018: €54,926,000), amortisation at the amount of €98,002,000 (2018: €90,373,000), net foreign exchange differences of €3,271,000 (2018: €2,467,000), employee benefits expense at the amount of €7,521,000 (2018: €6,495,000) and depreciation at the amount of €1,913,000 (2018: €444,000).

**5.5 Employee benefits expense**

|                                      | <u>2019</u>           | <u>2018</u>           |
|--------------------------------------|-----------------------|-----------------------|
|                                      | <i>€'000</i>          | <i>€'000</i>          |
| Included in administrative expenses: |                       |                       |
| Wages and salaries                   | (6,041)               | (5,078)               |
| Social security costs                | (632)                 | (591)                 |
| Other staff costs                    | (959)                 | (870)                 |
| Less: capitalised costs              | 111                   | 44                    |
|                                      | <u><b>(7,521)</b></u> | <u><b>(6,495)</b></u> |

The average number of employees for the year ending 31 December 2019 and 31 December 2018 was as follows:

|                     | <u>2019</u>      | <u>2018</u>      |
|---------------------|------------------|------------------|
| Customer service    | 2                | 3                |
| Sales and Marketing | 49               | 49               |
| Product Strategy    | 6                | 3                |
| Finance             | 13               | 15               |
| Compliance and risk | 11               | 11               |
| Administration      | -                | 1                |
| Management          | 1                | 1                |
|                     | <u><b>82</b></u> | <u><b>83</b></u> |

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

**5.6 Finance costs**

|                                       | 2019                | 2018               |
|---------------------------------------|---------------------|--------------------|
|                                       | <u>€'000</u>        | <u>€'000</u>       |
| IFRS lease expense - Interest         | (321)               | -                  |
| Interest expense on third party loans | -                   | (57)               |
|                                       | <u><b>(321)</b></u> | <u><b>(57)</b></u> |

**5.7 Finance income**

|  | 2019                | 2018                |
|--|---------------------|---------------------|
|  | <u>€'000</u>        | <u>€'000</u>        |
| Interest income on related party loans | 6,120               | 9,311               |
|  | <u><b>6,120</b></u> | <u><b>9,311</b></u> |

**6. Income tax**

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

|  | 2019                | 2018                  |
|--|---------------------|-----------------------|
|  | <u>€'000</u>        | <u>€'000</u>          |
| <b>Current income tax charge</b>                         | <b>83</b>           | <b>2,311</b>          |
| Adjustments for prior year tax                           | 83                  | 2,311                 |
| <b>Deferred tax (expense)/ income</b>                    |                     |                       |
| Deferred tax arising from the current period             | (439)               | (120)                 |
| Adjustments for prior year tax                           | 142                 | (1,498)               |
|  | <u><b>(297)</b></u> | <u><b>(1,618)</b></u> |
| <b>Income tax expense reported in the profit or loss</b> | <u><b>(214)</b></u> | <u><b>693</b></u>     |

UK corporation tax has been charged at 19% (2018: 19%). Deferred tax is calculated based on the substantively enacted 17% tax rate effective from 1 April 2021.

Reconciliation between tax expense and the product of accounting profit multiplied by the domestic tax rate for the years ended 31 December 2019 and 2018 is as follows:

|  | 2019                 | 2018                 |
|--|----------------------|----------------------|
|  | <u>€'000</u>         | <u>€'000</u>         |
| <b>Accounting profit before income tax</b>                                 | <u><b>54,150</b></u> | <u><b>26,429</b></u> |
| Income tax expense calculated at Skrill income tax rate of 19% (2018: 19%) | (10,289)             | (5,022)              |
| Expenses not deductible for tax purposes                                   | (183)                | (155)                |
| Group relief utilised  | 10,094               | 4,999                |
| Adjustments in respect to deferred income tax of previous years            | 142                  | (1,498)              |
| Adjustments in respect to current income tax of previous years             | -                    | 2,311                |
| Other  | 22                   | 58                   |
| <b>At the effective income tax rate of 0.4% (2018: (2.6%))</b>             | <u><b>(214)</b></u>  | <u><b>693</b></u>    |

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**6. Income tax (continued)**

Deferred taxes at 31 December 2019 and 31 December 2018 relate to the following:

|  | Statement<br>of financial position |            | Statement of comprehensive<br>income |                |
|--|------------------------------------|------------|--------------------------------------|----------------|
|  | 2019                               | 2018       | 2019                                 | 2018           |
|  | €'000                              | €'000      | €'000                                | €'000          |
| Accelerated depreciation/amortisation<br>for accounting purposes | 469                                | 600        | (131)                                | (1,699)        |
| Other  | 224                                | 390        | (166)                                | 81             |
| <b>Deferred tax expense</b>                                      |                                    |            | <b>(297)</b>                         | <b>(1,618)</b> |
| <b>Deferred tax asset</b>  | <b>693</b>                         | <b>990</b> |                                      |                |

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

**7. Property, plant and equipment**

|                            | Computer<br>equipment | Fixtures, fittings<br>and equipment | Right of use asset | Total          |
|----------------------------|-----------------------|-------------------------------------|--------------------|----------------|
|                            | €'000                 | €'000                               | €'000              | €'000          |
| <b>Cost</b>                |                       |                                     |                    |                |
| At 1 January 2018          | 5,141                 | 1,422                               | -                  | 6,563          |
| Additions                  | 97                    | 112                                 | -                  | 209            |
| Disposals                  | (52)                  | -                                   | -                  | (52)           |
| At 31 December 2018        | 5,186                 | 1,534                               | -                  | 6,720          |
| Additions                  | 288                   | 65                                  | 7,237              | 7,590          |
| Disposals                  | (4)                   | -                                   | -                  | (4)            |
| <b>At 31 December 2019</b> | <b>5,470</b>          | <b>1,599</b>                        | <b>7,237</b>       | <b>14,306</b>  |
| <b>Depreciation</b>        |                       |                                     |                    |                |
| At 1 January 2018          | (4,648)               | (836)                               | -                  | (5,484)        |
| Depreciation for the year  | (285)                 | (159)                               | -                  | (444)          |
| Disposals                  | 49                    | -                                   | -                  | 49             |
| At 31 December 2018        | (4,884)               | (995)                               | -                  | (5,879)        |
| Depreciation for the year  | (227)                 | (129)                               | (1,557)            | (1,913)        |
| Disposals                  | 4                     | -                                   | -                  | 4              |
| Other                      | -                     | (7)                                 | -                  | (7)            |
| <b>At 31 December 2019</b> | <b>(5,107)</b>        | <b>(1,131)</b>                      | <b>(1,557)</b>     | <b>(7,795)</b> |
| <b>Net book value</b>      |                       |                                     |                    |                |
| At 31 December 2018        | 302                   | 539                                 | -                  | 841            |
| At 31 December 2019        | 363                   | 468                                 | 5,680              | 6,511          |

*Impairment of equipment*

The Company conducted a review for impairment of equipment at 31 December 2019. 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 (2018: nil).

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**8. Intangible assets**

|                            | Software and website<br>development | Domain<br>names | Total            |
|----------------------------|-------------------------------------|-----------------|------------------|
|                            | €'000                               | €'000           | €'000            |
| <b>Cost</b>                |                                     |                 |                  |
| At 1 January 2018          | 37,559                              | 48              | 37,607           |
| Additions                  | 16,002                              | 20              | 16,022           |
| Transfers –IP              | 349,084                             | 52,482          | 401,566          |
| Disposals                  | (2,923)                             | (2)             | (2,925)          |
| <b>At 31 December 2019</b> | <b>399,722</b>                      | <b>52,548</b>   | <b>452,270</b>   |
| Additions                  | 14,281                              | 2               | 14,283           |
| Disposals                  | (34)                                |                 | (34)             |
| <b>At 31 December 2019</b> | <b>413,969</b>                      | <b>52,550</b>   | <b>466,519</b>   |
| <b>Amortisation</b>        |                                     |                 |                  |
| At 1 January 2018          | (22,920)                            | (36)            | (22,956)         |
| Amortisation for the year  | (79,866)                            | (10,507)        | (90,373)         |
| Transfers –IP              | (69,102)                            | (10,496)        | (79,598)         |
| Disposals                  | 817                                 | -               | 817              |
| <b>At 31 December 2018</b> | <b>(171,071)</b>                    | <b>(21,039)</b> | <b>(192,110)</b> |
| Amortisation for the year  | (87,497)                            | (10,505)        | (98,002)         |
| Disposals                  | 15                                  | -               | 15               |
| <b>At 31 December 2019</b> | <b>(258,553)</b>                    | <b>(31,544)</b> | <b>(290,097)</b> |
| <b>Net book value</b>      |                                     |                 |                  |
| <b>At 31 December 2018</b> | <b>228,651</b>                      | <b>31,509</b>   | <b>260,160</b>   |
| <b>At 31 December 2019</b> | <b>155,416</b>                      | <b>21,006</b>   | <b>176,422</b>   |

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

*Impairment of intangible assets*

The Company conducted a review for impairment of intangible assets at 31 December 2019. 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 (2018: € 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 of €5,400,000 in the period ended 31 December 2019.

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**9. Trade and other receivables**

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
|  | <i>€'000</i>         | <i>€'000</i>         |
| Trade receivables                          | 1,690                | 1,750                |
| Receivables from related parties (Note 15) | 20,789               | 48,215               |
| Accrued deposit interest                   | 395                  | 1,993                |
| Other receivables                          | 584                  | 1,099                |
|  | <u><b>23,458</b></u> | <u><b>53,057</b></u> |

Presented against trade receivables are allowances for expected credit losses of € 479,000 (2018: €nil) (see note 18).

For terms and conditions relating to receivables from related parties, refer to Note 15.

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

**10. 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 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.

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 0.1% -2.1% per annum. The Company can redeem the deposits at any time before their maturity dates.

|               | <u>2019</u>           | <u>2018</u>           |
|---------------|-----------------------|-----------------------|
|               | <i>€'000</i>          | <i>€'000</i>          |
| Cash at banks | 261,024               | 154,925               |
| Deposits      | 221,259               | 348,063               |
|               | <u><b>482,283</b></u> | <u><b>502,988</b></u> |

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### 11.1 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 2019.

*Issued and fully paid shares*

|                                      | <i>Shares<br/>number</i> | <i>€'000</i> |
|--------------------------------------|--------------------------|--------------|
| <b>At 31 December 2019 and 2018</b>  | <b>321,665</b>           | <b>497</b>   |
| Ordinary euro shares of 1.547 € each | 321,665                  | 497          |

On 20 December 2019, the Company allotted 1,000 ordinary shares of £1 each for cash at €1.1086 per share. The shares were subscribed by the sole owners of the Company, Skrill Holdings Limited and the amount payable on application for the shares was satisfied by the release of Company's debt to Skrill Holdings Limited in the amount of €321,968,044. The debt originates from the assignment of intellectual property rights (note 8). The Company recognised share premium of €321,967,000 as a result of the transaction.

### 11.2 Capital contribution reserve

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

On 20 December 2018, all LTIP options outstanding at that date were either equity or cash settled in connection with the acquisition of Paysafe Group by Pi UK Bidco Limited, pursuant to a change of control provision in the plans terms.

For the year ended 31 December 2019, a share-based payment expense of nil (2018: nil) was recognised in the Company's statement of comprehensive income. A corresponding increase was recognised in equity as a contribution from the parent.

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

### 13. Trade and other payables

|   | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|
|   | <i>€'000</i>         | <i>€'000</i>         |
| Trade payables                                    | 705                  | 535                  |
| Payables to related parties (Note 15)             | 20,362               | 50,210               |
| Other payables                                    | 11,459               | 8,155                |
| Accruals for commissions and merchant rebates     | 4,969                | 5,441                |
| Other taxes, employment taxes and social security | 1,459                | 1,302                |
|   | <b><u>38,954</u></b> | <b><u>65,643</u></b> |

**Skrill Limited**  
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**13. Trade and other payables (continued)**

Trade payables and accruals comprise amounts outstanding from trade purchases and ongoing costs. Trade and other payables are non-interest bearing and are generally on 30-days' terms. For terms and conditions relating to payables to related parties, refer to Note 15.

**14. Commitments and contingencies**

**Capital commitments**

At 31 December 2019 (2018: None) the Company did not have any capital commitments.

**Legal claims**

There were no significant legal claims against the Company.

**Operating lease commitments — Company as lessee**

At 31 December 2018, the Company had outstanding commitments for future minimum operating lease payments, which fall due as follows:

|   | 2019         | 2018         |
|---|--------------|--------------|
|   | <u>€'000</u> | <u>€'000</u> |
| Within one year                             | -            | 1,142        |
| After one year but not more than five years | -            | 856          |
| More than five years                        | -            | 2            |
|   | <u>-</u>     | <u>2,000</u> |

In the current period, the Company applied IFRS 16 and recognised lease liabilities for its operating leases. Maturities of these lease liabilities are presented below in Note 16.

**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:

|                                     | 2019           | 2018           |
|-------------------------------------|----------------|----------------|
|                                     | <u>€'000</u>   | <u>€'000</u>   |
| FCA regulatory capital requirements | 10,406         | 9,751          |
| Regulatory own funds                | <u>293,864</u> | <u>156,864</u> |
| Capital surplus                     | <u>283,458</u> | <u>147,113</u> |

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**15. Related party disclosure**

*Ultimate parent*

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

*Direct parent*

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

*Intermediate parents*

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

*Representative offices*

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

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, Skril Services GMBH, Skril Capital Limited, paysafecard.com Wertkarten Vertriebs GmbH, Payolution GmbH, Sabemul Beteiligungsverwaltung GmbH, Paysafe Bulgaria EOOD, Skril Canada Inc., Skril Hong Kong Limited., Skril Singapore Pte Limited., Skril USA Inc., 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**

| <b>Trade and other receivables from related parties</b> | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|
|   | <i>€'000</i>         | <i>€'000</i>         |
| <i>Direct parent</i>                                    | -                    | 34,779               |
| <i>Intermediate parents</i>                             | -                    | 8,418                |
| <i>Other related parties</i>                            | <u>20,561</u>        | <u>5,018</u>         |
|   | <u><b>20,561</b></u> | <u><b>48,215</b></u> |

**Amounts due to related parties – current**

| <b>Trade and other payable to related parties</b> | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|
|   | <i>€'000</i>         | <i>€'000</i>         |
| <i>Intermediate parents</i>                       | 3,572                | 9,404                |
| <i>Other related parties</i>                      | <u>16,561</u>        | <u>40,806</u>        |
|   | <u><b>20,133</b></u> | <u><b>50,210</b></u> |

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**15. Related party disclosure (continued)**

**Sales to related parties**

| Related party                | Nature of transactions | 2019<br>€'000 | 2018<br>€'000 |
|------------------------------|------------------------|---------------|---------------|
| <i>Intermediate parents</i>  | Rendering services     | 30            | 182           |
| <i>Other related parties</i> | Rendering services     | 87,569        | 56,464        |

**Purchases from related parties**

| Related party                | Nature of transactions | 2019<br>€'000 | 2018<br>€'000 |
|------------------------------|------------------------|---------------|---------------|
| <i>Intermediate parents</i>  | Receiving services     | 9,845         | 8,500         |
| <i>Other related parties</i> | Receiving services     | 68,324        | 62,257        |

*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 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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.

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**15. Related party disclosure (continued)**

**Loans granted to related parties**

|  | Maturity | 2019           | 2018           |
|--|----------|----------------|----------------|
|  |          | €'000          | €'000          |
| <i>Direct parent</i>   |          |                |                |
| (1) €60,000,000 related party loan, at nominal value (Skrill Holding Limited)    | Dec-18   | -              | -              |
| Interest receivable  |          | -              | 4,466          |
| <i>Intermediate parents</i>  |          |                |                |
| (1) €200,000,000 related party loan, at nominal value (Paysafe Holdings UK Ltd.) | Feb-22   | 236,363        | 136,161        |
| Interest receivable  |          | 624            | 419            |
| <i>Other related parties</i>   |          |                |                |
| (1) €10,000,000 related party loan, at nominal value (Payolution GmbH)           | Dec-20   | -              | 4,896          |
| Interest receivable  |          | -              | 281            |
| (2) €10,000,000 related party loan, at nominal value (Rapid Transfer Ltd.)       | Dec-19   | -              | 6              |
| Interest receivable  |          | -              | -              |
| (3) ¥1,500,000,000 related party loan, at nominal value (Paysafe Japan KK.)      | Aug-22   | 1,448          | -              |
| Interest receivable  |          | -              | -              |
| <b>Total long term loan receivable</b>   |          | <b>237,811</b> | <b>141,057</b> |

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

**Key management personnel compensation**

|  | 2019       | 2018       |
|--|------------|------------|
|  | €'000      | €'000      |
| Directors' fee and other emoluments    | 916        | 395        |
| Other pension contributions            | 11         | 8          |
| Termination benefits                   | -          | -          |
|  | <b>927</b> | <b>403</b> |
| Remuneration of highest paid director: | <b>652</b> | <b>230</b> |
| Director's fee and other emoluments    | 652        | 223        |
| Other pension contributions            | -          | 7          |
|  | <b>652</b> | <b>230</b> |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting year related to key management personnel - 1 director and 1 member of key management part through the year. (2018: 1 director and 1 member of key management).

**16. Leases**

Skrill Limited has leases for offices and corporate apartments. Leases have remaining lease terms between less than one year to 8 years, some of which include options to extend the lease term for up to five years, and others include options to terminate the lease within one year. 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.

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**16. Leases (continued)**

(i) Amounts recognised in the statement of financial position (IFRS 16)

**Right-of-use-assets:**

|                                     | Total<br>€'000 |
|-------------------------------------|----------------|
| <b>Cost</b>                         |                |
| As at 1 January 2019 <sup>(1)</sup> | 7,237          |
| Additions                           | -              |
| Disposals                           | -              |
| <b>As at 31 December 2019</b>       | <b>7,237</b>   |
| <b>Accumulated depreciation</b>     |                |
| As at 1 January 2019 <sup>(1)</sup> | -              |
| Charge for the period               | (1,557)        |
| Disposals                           | -              |
| <b>As at 31 December 2019</b>       | <b>(1,557)</b> |
| <b>Carrying amount</b>              |                |
| <b>As at 31 December 2019</b>       | <b>5,680</b>   |

<sup>(1)</sup> In the previous year, the Company applied IAS 17 and did not recognise right-of-use assets for its operating leases.

**Lease liabilities:**

|                                | As at<br>31 December 2019<br>€'000 | As at<br>1 January 2019 <sup>(2)</sup><br>€'000 |
|--------------------------------|------------------------------------|---|
| Current                        | 1,444                              | 1,025   |
| Non-current                    | 4,826                              | 6,267   |
| <b>Total lease liabilities</b> | <b>6,270</b>                       | <b>7,291</b>                                    |

**Maturity analysis of lease liabilities is as follows:**

|  | As at<br>31 December 2019<br>€'000 | As at<br>31 December 2018 <sup>(2)</sup><br>€'000 |
|--|------------------------------------|---|
| Year 1   | 1,467                              | -   |
| Year 2   | 1,211                              | -   |
| Year 3   | 1,211                              | -   |
| Year 4   | 1,211                              | -   |
| Year 5   | 1,211                              | -   |
| Onwards  | 807                                | -   |
| <b>Total lease payments</b>                          | <b>1,118</b>                       | -   |
| <b>Less: effect of discounting the amounts above</b> | <b>(848)</b>                       | -   |
| <b>Total lease liabilities</b>                       | <b>6,270</b>                       | -   |

<sup>(2)</sup> In the previous year, the Company applied IAS 17 and did not recognise lease liabilities for its operating leases. The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. Leases (continued)**

(ii) Amounts recognised in profit and loss (IFRS 16)

|  | Period ended<br>31 December 2019<br>EUR'000 | Period ended<br>31 December 2018 <sup>(1)</sup><br>EUR'000 |
|--|---|--|
| Depreciation expense on right-of-use assets                      | 1,557                                       | -  |
| Interest expense on lease liabilities (included in Finance cost) | 321   | -  |

<sup>(1)</sup> In the previous period, the Company applied IAS 17 and recognised operating lease expense of 1,264,787. The total cash outflow for leases amounted to EUR 1,344,784 for the period ended 31 December 2019.

(iii) Non-cancellable operating leases (IAS 17)

At 31 December 2018, the Group had outstanding commitments for future minimum operating lease payments, which fall due as follows:

|                            | As at<br>31 December 2019 <sup>(1)</sup><br>EUR'000 | As at<br>31 December 2018<br>EUR'000 |
|----------------------------|---|--------------------------------------|
| Within one year            | -   | 1,142                                |
| Between two and five years | -   | 856                                  |
| After five years           | -   | 2                                    |

<sup>(1)</sup> In current period, the Company applied IFRS 16 and recognised lease liabilities for its operating leases. Maturities of these lease liabilities are presented above in Note 16(i).

Operating lease payments represent rentals payable by the Company for certain of its office properties.

**17. Fair value of financial instruments**

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

- Cash and cash equivalents;
- Restricted cash in respect to customer accounts;
- Settlement assets;
- Trade and other receivables;
- Long term loans to related parties;
- Funds payable and amounts due to customers;
- Trade and other payables;

*Financial instruments by category*

|   | Amortised cost |                |
|---|----------------|----------------|
|   | 2019<br>€'000  | 2018<br>€'000  |
| <b>Financial assets</b>                         |                |                |
| Cash and cash equivalents                       | 34,449         | 7,837          |
| Restricted cash in respect to customer accounts | 482,283        | 502,988        |
| Settlement assets                               | 74,764         | 28,912         |
| Trade and other receivables                     | 23,458         | 53,057         |
| Long term loans to related parties;             | 237,812        | 141,057        |
|   | <b>852,766</b> | <b>733,851</b> |

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

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

|  | <b>Amortised cost</b> |                |
|--|-----------------------|----------------|
|  | 2019                  | 2018           |
| <b>Financial liabilities</b>               | €'000                 | €'000          |
| Funds payable and amounts due to customers | 524,470               | 516,947        |
| Trade and other payables                   | 38,954                | 65,643         |
|  | <b>563,424</b>        | <b>582,590</b> |

The fair values of cash and cash equivalents, restricted cash in respect to customer accounts; settlement assets, trade and other receivables, funds payable and amounts due to customers, trade and other payables approximate the carrying values due to the short-term nature of these instruments. All assets and liabilities subject to fair value belong to Level 2 fair value hierarchy.

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

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

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

|   | <b>Carrying amount</b> |                | <b>Fair value</b> |                |
|---|------------------------|----------------|-------------------|----------------|
|   | 2019                   | 2018           | 2019              | 2018           |
|   | €'000                  | €'000          | €'000             | €'000          |
| <b>Financial assets</b>                         |                        |                |                   |                |
| Long term loans to related parties              | 237,812                | 141,057        | 227,801           | 135,181        |
| Trade and other receivables                     | 23,458                 | 53,057         | 23,458            | 53,057         |
| Settlement assets                               | 74,764                 | 28,912         | 74,764            | 28,912         |
| Restricted cash in respect to customer accounts | 482,283                | 502,988        | 482,283           | 502,988        |
| Cash and cash equivalents                       | 34,449                 | 7,837          | 34,449            | 7,837          |
| <b>Total</b>                                    | <b>852,766</b>         | <b>733,851</b> | <b>842,755</b>    | <b>727,975</b> |
|   |                        |                |                   |                |
|   | <b>Carrying amount</b> |                | <b>Fair value</b> |                |
|   | 2019                   | 2018           | 2019              | 2018           |
|   | €'000                  | €'000          | €'000             | €'000          |
| <b>Financial liabilities</b>                    |                        |                |                   |                |
| Funds payable and amounts due to customers      | 524,470                | 516,947        | 524,470           | 516,947        |
| Trade and other payables                        | 38,954                 | 65,643         | 38,954            | 65,643         |
| <b>Total</b>                                    | <b>563,424</b>         | <b>582,590</b> | <b>563,424</b>    | <b>582,590</b> |

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

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

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

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

**18. Financial risk management objectives and policies**

The Company's principal financial liabilities comprise liabilities in connection with funds payable and amounts due to customers and trade and other payables. The Company's principal financial assets include trade and other receivables, restricted cash in respect to customer accounts, settlement assets, long and short-term loans to related parties, and cash and cash equivalents that arrive directly from its operations.

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

**Interest rate risk**

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

**Credit risk**

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

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

The Company's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as of 31 December 2019 is €591,496,000 (2018: €539,737,000), which consist of settlement assets, cash held at reserves, Restricted cash in respect to customer accounts and Cash and cash equivalents.

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**18. Financial risk management objectives and policies (continued)**

**Impairment of financial assets**

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

- Cash and cash equivalents;
- 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 2019 and 31 December 2018 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.

On that basis, the loss allowance as 31 December 2019 and 31 December 2018 was determined as follows:

|   | <u>31 Dec 2019</u> | <u>31 Dec 2018</u> |
|---|--------------------|--------------------|
| Cash and Cash equivalents and Restricted cash in respect to customer accounts | 1,546              | 752                |
| Settlement assets and Trade and other receivables                             | <u>936</u>         | <u>193</u>         |
| <b>Loss allowance</b>   | <b>2,482</b>       | <b>945</b>         |

The closing loss allowances for segregated funds and liquid assets and settlement assets as at 31 December 2019 reconcile to the opening loss allowances as follows:

|   | <b>Cash and cash equivalents<br/>and Restricted cash in<br/>respect to customer accounts</b> |                   | <b>Settlement assets and<br/>trade and other<br/>receivables</b> |                   |
|---|--|-------------------|--|-------------------|
|   | <u>2019</u>  | <u>2018</u>       | <u>2019</u>  | <u>2018</u>       |
| <b>At 1 January</b>   | 752  | 360               | 193  | 132               |
| Increase in the loss allowance recognised in profit or loss during year | <u>794</u>   | <u>392</u>        | <u>743</u>   | <u>61</u>         |
| <b>At 31 December</b>   | <b><u>1,546</u></b>  | <b><u>752</u></b> | <b><u>936</u></b>  | <b><u>193</u></b> |

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

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

**Liquidity risk**

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

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

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

**As of 31 December, 2019**

|  | On demand      | 1-3 months    | 3-12 months | 1-5 years | > 5 years | Total          |
|--|----------------|---------------|-------------|-----------|-----------|----------------|
|  | €'000          | €'000         | €'000       | €'000     | €'000     | €'000          |
| Trade payables                             |                | 705           | -           | -         | -         | 705            |
| Funds payable and amounts due to customers | 524,470        | -             | -           | -         | -         | 524,470        |
| Other payables                             | -              | 16,428        | -           | -         | -         | 16,428         |
| Payables to related parties                | -              | 20,362        | -           | -         | -         | 20,362         |
|  | <b>524,470</b> | <b>37,495</b> | <b>-</b>    | <b>-</b>  | <b>-</b>  | <b>561,965</b> |

**As of 31 December, 2018**

|  | On demand      | 1-3 months    | 3-12 months | 1-5 years | > 5 years | Total          |
|--|----------------|---------------|-------------|-----------|-----------|----------------|
|  | €'000          | €'000         | €'000       | €'000     | €'000     | €'000          |
| Trade payables                             |                | 535           | -           | -         | -         | 535            |
| Funds payable and amounts due to customers | 516,947        | -             | -           | -         | -         | 516,947        |
| Other payables                             | -              | 13,596        | -           | -         | -         | 13,596         |
| Payables to related parties                | -              | 50,210        | -           | -         | -         | 50,210         |
|  | <b>516,947</b> | <b>64,341</b> | <b>-</b>    | <b>-</b>  | <b>-</b>  | <b>581,188</b> |

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

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

**Foreign exchange risk**

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

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

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

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

|       | 2019                        |                             | 2018                        |                             |
|-------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|       | 10%<br>revaluation<br>€'000 | 10%<br>devaluation<br>€'000 | 10%<br>revaluation<br>€'000 | 10%<br>devaluation<br>€'000 |
| GBP   | (22,982)                    | 22,982                      | (17,562)                    | 17,562                      |
| USD   | 34,196                      | (34,196)                    | 31,806                      | (31,806)                    |
| Other | 8,713                       | (8,713)                     | 6,511                       | (6,511)                     |

**Capital risk management**

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

The capital structure of the Company equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits.

**19. Events after the reporting date**

*Brexit*

The UK left the EU on 31 January 2020 and has now entered an 11-month transition period. As noted in the Directors Report, throughout 2019 the Company operated significant elements of its business with EEA customers under UK Financial Conduct Authority (FCA) licences, taking advantage of the passporting regime into the European Economic Area ("EEA"). In 2019 a separate related party entity obtained licences, and completed the necessary passporting notifications, from the Central Bank of Ireland (CBI) to enable the continuation of these operations within ongoing EEA jurisdictions. The operational readiness planning in relation to the transition of the EEA customers to the related party entity is at an advanced stage. The Company generated 67% of its revenue from end customers from EEA during 2019 (note 5.1).

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

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**19. Events after the reporting date (continued)**

*COVID-19*

Subsequent to the Company's year-end, the coronavirus outbreak has occurred and developed such that on 11 March 2020, the World Health Organisation has characterised the outbreak as a pandemic. The Paysafe Group (part of which is the Company) had in place a pandemic response programme to ensure it was prepared for scenarios that might threaten our core business activities including our people, our customers and merchant and society at large. A core element of the Paysafe Group's response has been the establishment of a Pandemic Working Group, consisting of Executive Team members, that meets daily to drive the pandemic response strategy.

The Paysafe Group's response to COVID-19 event can be split into the following key areas:

- **People and Business Continuity** – as a high technology-based company there has not been a material impact to the Paysafe Group's ability to operate in a 'business as usual' manner. All critical functions have previously been tested as part of the Paysafe Group's business continuity planning, with the Paysafe Group's employees having all necessary equipment and capabilities to complete their work remotely. Employee wellbeing surveys are being issued to assess and mitigate impacts to employee wellbeing whilst working remotely. In addition, our core payment technology and platform offering remains materially unaffected and the business is able to continue to offer its payment services and products to its customers.
- **Credit Exposures** – as noted in our risk management disclosures, the Company may be exposed to increased counterparty credit risk. The credit risk arises mainly as the Company holds client money with credit institutions, in line with its regulatory obligations as a licensed e-money institution and has receivables from payment partners where the Company is in the flow of funds. The economic impact of COVID-19 has increased this risk – accordingly a full bank and partner review has been conducted to ensure potential exposures are actively managed within the risk appetite of the Company. Resultant actions taken have included:
  - o Concentration of client funds across various investment grade, systemically important banks
  - o Reducing payment processing volume and pre-funding amounts via smaller partners which pose a higher credit risk
  - o Increasing the frequency of pre-funding to minimise the duration of unnecessary balances, thereby minimizing exposure
  - o Establishing a mechanism to monitor the default risk of the Company's portfolio of counterparties, taking appropriate action to shift liquidity as and when necessary
- **Supplier Review** – Paysafe Group has recently aligned its outsourcing and supplier management framework to the European Banking Authority (EBA) guidelines and identified all key suppliers. In response to a heightened risk of key supplier failure, the Paysafe Group has commenced an operational resilience review of all critical suppliers aligned with our critical activities. To date this has focussed on those top 20 most critical suppliers and will be progressively actioned across a second tier of suppliers - a material impact from critical suppliers has not been experienced by the business.
- **Liquidity Scenario Analysis** – the Company has conducted a detailed scenario analysis to ensure it has adequate liquidity to support the business even in a prolonged, high-impact scenario. As a result of this analysis, management have identified and taken certain actions to manage liquidity through this period. These actions include:
  - o Agreed an increase in the amount of interco loan granted from a related party from €200m to €350m which will allow the Company access to liquidity, if required. The Company has not utilised the interco loan till now
  - o Cost management actions: Proactive cost management actions have been taken by the Company in order to manage cash and profitability levels and assure continued compliance with the Company's regulatory capital requirements. More detail is provided within the going concern note
  - o Government tax relief and payment deferrals: The Company is monitoring the UK initiatives and investigating both exemptions and the potential to defer VAT, payroll and other tax payments wherever possible.

From the liquidity scenario analysis performed, the Company's Board of Directors have concluded it remains appropriate to prepare these financial statements on the going concern basis. See Note 2.1.

**Skrill Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. Events after the reporting date (continued)**

*COVID-19 (continued)*

As these events arose after the reporting date and do not provide evidence of a condition that existed at 31 December 2019, these are considered non-adjusting subsequent events. While the extent and duration of the effect of the coronavirus outbreak on the Paysafe Group and the Company and our partners remains unclear, the following estimates and judgements made in the preparation of the financial statements as at 31 December 2019 may change.

*Impairment of financial assets*

As we continue to experience disruption to the global economy as a result of Covid-19, the Company may be exposed to increased counterparty credit risk from default on its financial assets. Potential increases in credit risk is expected to be attributable to the following balances:

- Cash and Cash Equivalents and Restricted Cash in respect of Customer Accounts: There may be an increased risk of default as a result of the global economic impact of Covid-19. As explained in the risk section within the Strategic Report, the Company uses many different banking partners with a variety of credit ratings.
- Trade Receivables, Other Receivables and Settlement Receivables: Some of the Company's customers and settlement partners may experience solvency issues. Whilst the settlement period for the Company's receivables are generally short, the Company may experience an increase in defaults on these balances.

*Impairment of intangible assets*

The extensive social distancing and associated retail sector and sports competition suspensions in Europe and North America are expected to have a material impact on consumer leisure spending and on our sports gambling merchants which are key drivers to the Company's revenues and profitability. These factors could be indicators of impairment, depending on the significance and duration of the disruption. While short term, temporary disruptions may not indicate an impairment; the effects of a prolonged outbreak and associated suspensions may cause asset impairments.

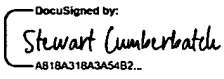
The Company assessed whether any indications of impairment exists at 31 December 2019 considering external and internal sources of information as required by IAS 38 and concluded that there are no such indicators (note 8). The Company's core businesses are highly cash generative and the continued investment into Digital Wallets' core technology infrastructure is critical for the businesses' success.

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| Subject: Please DocuSign: Skrill Limited FS 2019_FINAL.pdf |                         |
| Source Envelope:   |                         |
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| Certificate Pages: 2                                       | Initials: 0             |
| AutoNav: Enabled   | Envelope Originator:    |
| Envelope Stamping: Disabled                                | Stewart Cumberbatch     |
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|  | 1 New Street Square     |
|  | London, London EC4A 3HQ |
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| Deloitte UK Account                                  |   |  |
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| Editor Delivery Events | Status | Timestamp |
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| Agent Delivery Events | Status | Timestamp |
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| Deloitte UK Account                                  |               |  |
| Security Level: Email, Account Authentication (None) |               |  |
| Signature Provider Details:                          |               |  |
| Signature Type: DS Electronic                        |               |  |
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| Not Offered via DocuSign                             |               |  |

| Witness Events | Signature | Timestamp |
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| Notary Events | Signature | Timestamp |
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| Envelope Summary Events | Status | Timestamps |
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