# TTT Moneycorp Limited

**Annual report and financial statements**
**for the year ended 31 December 2020**

Registered number: 00738837

# TTT Moneycorp Limited
# Company information

**Company Registration Number**
00738837

**Date of Incorporation**
25 October 1962

**Registered Office**
Floor 5, Zig Zag Building
70 Victoria Street
London
SW1E 6SQ

**Independent auditors**
BDO LLP
55 Baker Street
London
W1U 7EU

**Directors**
D Chandler
A Harrison
L McDarby

**Trading name**
moneycorp

# TTT Moneycorp Limited
## Contents

The Directors present their strategic report for TTT Moneycorp Limited (the 'Company') for the year ended 31 December 2020. The Company is incorporated and domiciled in England and Wales, United Kingdom (UK).

**Principal activities and overview**

The Company is an international fintech payments business – serving the growing international payment and foreign exchange needs of global businesses, importers and exporters, online sellers and private clients.

The Company, its subsidiaries and other related entities within the Moneycorp Group (see note 32 to the financial statements for the definition of the Moneycorp Group) operate across the entire value chain of the international payments and foreign exchange industry. The Company has a suite of tailored solutions which has helped attract and retain clients, including a unique multi-currency IBAN allowing clients to receive payments from over 70 countries. The Company and wider Moneycorp Group's operations are underpinned by strict regulations and licences, providing expert and trustworthy services across the globe.

Headquartered in London, the Moneycorp Group now operates in many of the world's largest markets with offices and employees in the UK, Europe, United States of America, Canada, Brazil, Hong Kong, Australia, United Arab Emirates (UAE), and India, totaling 536 employees as at 31 December 2020.

The Moneycorp Group's technology, which has been the centre of investment, is utilised across multiple countries, under multiple licences and legal entities, operating mainly under the moneycorp brand and also a number of white label/co-brands.

The Company and Moneycorp Group's strategy is to solidify its position as a world-leading and truly global digital payments platform, and to continue growing primarily by capitalising on the strength of its technology, high quality service, transparent pricing and cost efficient operating model.

Rigorous compliance, that is designed to meet the requirements of regulators, reinforces the trust that clients and other stakeholders place in the Company's brand.

The Company's mission continues to be the first choice for clients' international payments and foreign exchange needs.

***Migration of European business following Brexit***

Following the passing of the European Union (EU) (Withdrawal Agreement) Bill on 31 January 2020 the UK left the EU, but was allowed to continue its relationship until the end of the transitional period being 31 December 2020. During the transitional period the UK and EU were to negotiate their future relationship.

In response to Brexit, the Moneycorp Group decided to base its European operations in Dublin, Ireland, and in preparation incorporated an entity, Moneycorp Technologies Limited (MTL), in 2017. In 2020 MTL was granted Markets in Financial Instruments Directive (MiFID) and E-Money licences by the Central Bank of Ireland.

Subsequent to receiving the licences, the migration of all European based clients and the associated operations was completed in Quarter 4 2020, including all clients of the Irish and Romanian branches of the Company. Refer to note 1 of the financial statements for further details.

The Company's Irish and Romanian branches are now non-trading and will be wound up in due course.

**Operational review**

The Company's operations were largely uninterrupted by the COVID-19 pandemic. The Company switched to remote working from mid-March 2020 and took the necessary steps to adjust to changing global conditions. The safety and wellbeing of our employees, clients and other stakeholders was a key priority during 2020 and will remain so into the future.

In 2020 the business saw a decrease in both revenue and profitability against the back drop of a difficult global economic environment including the COVID-19 pandemic and Brexit. Refer to the Business Unit Operating Review below for further details.

The net assets of the Company at 31 December 2020 were £53,260k (2019: £64,919k).

**Digitalisation**
The Company continues to digitalise its offering, with approximately 64% of international payment deals completed via the Monycorp Group's online payments platform and mobile app in 2020.

Digitalisation drives the continuous development of the online payments platform, which is based on 'React' technology. This allows the Moneycorp Group to create reusable components for building consistent user interfaces across many of the Company's markets, resulting in a multilingual, feature-rich platform, servicing both corporate and private clients. The Company is also undertaking a data centre migration, employing Microsoft's public cloud offering, Azure, to improve scalability and security.

**Market opportunity**
The market for international payments and foreign exchange products provided to both corporate and private clients continues to be dominated by high street banks. In all markets that the Company and Moneycorp Group operate across, a low market share is currently held by non-bank specialists which provides a large market opportunity for future growth ambitions. Notwithstanding the current economic environment, the continued client growth and flexibility of the Moneycorp Group's technology highlights the viability of our business model for future growth.

**Performance measurement**
The Company's three most significant Key Performance Indicators (KPIs) are measured across two main business units as follows:

- revenue growth;
- client acquisition and retention; and
- EBITDA growth

Throughout the Strategic Report, EBITDA is defined as earnings before finance costs, tax, depreciation, amortisation and significant one off items.

Each business unit has a management team responsible for the operations of the business unit and uses a number of financial and non-financial KPIs in order to manage and develop the business to achieve the Company's strategic objectives. These are discussed in the operating reviews of each business unit below.

**Business unit operating review**
The management accounts that are used internally are based on old Generally Accepted Accounting Practice in the UK (old UK GAAP) whereas the statutory results are reported under International Financial Reporting Standards (IFRS) as adopted by the EU. This results in differences such as in the revenue recognized in respect of forward and option derivative financial instrument contracts. Company revenue under old UK GAAP for each of the business units are summarised in the following table. A reconciliation to statutory reported results is also shown.

| **Revenue (under old UK GAAP)** | **2020 £000** | **2019 £000** | **Growth £000** | **Growth %** |
|---|---|---|---|---|
| UK/EU corporate international payments | 28,624 | 30,377 | (1,754) | (6%) |
| UK/EU private international payments | 16,019 | 20,447 | (4,429) | (22%) |
| **Total revenue** | **44,642** | **50,824** | **(6,182)** | **(12%)** |

**Reconciliation to statutory reported results for the year:**

| | **2020 £000** | **2019 £000** |
|---|---|---|
| **Revenue** | | |
| Total Group per Management accounts | 44,642 | 50,824 |
| Adjustment under IFRS adopted by the EU | (1,148) | 2,348 |
| **Statutory reported results** | **43,494** | **53,172** |

**Business unit operating review - continued**
The results of the core operating business units are detailed below:

***UK/EU corporate international payments***
The corporate business unit's revenue decreased by 6% (2019: 6% increase) to £28,624k representing a £1,754k drop (2019: £1,653k increase). This business is centered on SME importers and exporters in the UK and Europe. This business unit performed well in 2020, despite the marginal decrease in revenue, given the economic environment faced. This performance was achieved alongside the migration of the European clients from the Company to MTL in Ireland.

The business unit reported a new client churn of 1% during the year (2019: 14%) and a client retention rate of 98% (2019: 98%) demonstrating its superior product offering, customer service and competitive pricing.

***UK/EU private international payments***
During the year the private client business unit saw revenue fall by £4,429k representing a 22% decrease (2019: £1,186k, 5% decrease). This was primarily due to the COVID-19 pandemic coupled with the continued uncertainty surrounding Brexit both of which impacted the appetite for international property purchases. Despite the 22% decrease in revenue, EBITDA increased by 1% year on year as a result of cost-management strategies implemented in response to the challenging external environment. This business unit also completed the migration of its European clients to MTL during the year to protect the Moneycorp Group's revenue post Brexit.

The business unit saw a 21% fall in the number of transactions (2019: 9% decrease) with a slight increase in revenue per deal by 4% (2019: 12% decrease).

**Statutory loss for the year**
The Company reported a statutory loss after tax for the year of £11,659k (2019: £3,958k).

A breakdown of the main items contributing to the statutory loss are detailed below. The Company's operating result for the year, after excluding the below items, was a profit of £11,448k (2019: profit of £12,455k).

***Depreciation and amortisation***
The Company charged £3,894k of amortisation and £1,550k of depreciation during the year (2019: £4,049k and £1,823k respectively). See notes 12 to 14 to the financial statements for further details.

***Management charges***
During the year costs of £9,990k (2019: £6,083k) were recharged to the Company from other Moneycorp Group entities as governed by intercompany services agreements.

***One-off items***
The Company has incurred one off operating costs of £6,378k (2019: £5,338k operating costs). These costs are included in administrative expenses as one-off costs and write down of investment in subsidiary. See note 8 to the financial statements for further details.

**Taxation**
The tax charge for the continuing business was £700k (2019: £1,470k tax credit). A net corporation tax refund was received during the year of £1,652k (2019: £697k tax refund). For further details see note 11 to the financial statements.

**Company outlook**
The Directors believe the Company is positioned well for the future, with diversified operations and various product offerings to address the international payment and foreign exchange needs of a wide range of clients.

The Company will continue to undertake various IT and system enhancements as it increases its digitalisation with more client transactions taking place via the Moneycorp Group's online payments platform and mobile app. This will include investing in new technologies, such as APIs.

The Directors will continue to respond to the COVID-19 pandemic based on the guidance being provided by the relevant health and government authorities, and continue to implement protocols and processes in response to the spread of the virus.

**Company outlook - continued**
As at the date of this report, the Company remains largely in a 'work from home' environment but is fully operational. Management and the Directors meet regularly to ensure any emerging developments are addressed quickly.

**Going concern**
The Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis and this is the basis which has been applied. The assessment of going concern has been undertaken by considering the risk factors outlined below, with particular focus given to the impact of COVID-19 on the Company's risk management, and events arising subsequent to year end. Refer to the Directors' Report for further details.

**Risk management**
The Company's risk management framework is designed to ensure that material business risks throughout the organisation are identified and effectively managed. The Company operates a risk management model with three lines of defence, being management control, risk and compliance oversight functions and independent assurance. The responsibility for risk management resides at all levels, from the Board and the executive committee down through the organisation.

These responsibilities are distributed so that risk/return decisions are taken at the most appropriate level, as close as possible to the business, and remain subject to effective review and challenge. The responsibilities for effective review and challenge reside with senior managers, the audit committee, internal audit, the independent risk function, the risk committee and ultimately the Board.

The Company has identified the following key areas of risk:

***Operational risk***
Management has identified operational risk as the business's primary risk. Operational risk includes the risk arising within the organisation from inadequate or failed internal processes, inadequately designed or maintained systems, inappropriate staff levels or inadequately skilled or managed people. Operational risk exposures are identified, managed and controlled by management at all levels of the organisation. Internal controls include the organisational structures and delegation of authority within the Company. Systems are designed to manage and, as far as possible, eliminate the risk of failure to achieve business objectives and can provide robust, but not absolute, assurance against material misstatement or loss.

The Company's operational budgets include appropriate investment levels to ensure that critical systems and processes are maintained, client data is protected and staff are properly trained and developed.

***Regulation and compliance risk***
Regulatory risk is the risk of financial or reputational losses arising from failure to meet the requirements of the Company's regulators. Compliance risk is the risk that the Company fails to adhere to the relevant rules and regulations that apply to its business.

The Company is authorised and regulated by the Financial Conduct Authority (FCA) for the provision of payment services.

Regulatory and compliance policy is led centrally by the Moneycorp Group Compliance and Risk Manager and there is a dedicated compliance team within the business. This team ensures compliance with Anti Money Laundering and Countering Financing of Terrorism (AML/CFT), sanctions and other legal, regulatory and licensing requirements including compliance with all FCA requirements.

The Company's legal team, in conjunction with external legal advisers, advises on the regulatory environment in which the Company operates and provides advice on any measures required to maintain regulatory licences as appropriate.

***Cyber and technology risk***
The Company has invested heavily in cyber security software that enables the detection of malware, viruses and phishing scams. The Company has in place a cyber security training programme for all staff to raise awareness of the potential threats and tactics used by cyber criminals.

**Risk management - continued**

***Financial risks***

***Currency risk*** - The Company is subject to foreign currency exposures arising from the translation of the financial results and underlying net assets of its overseas branches into pounds sterling. Foreign exchange exposure is managed by the Moneycorp Group's Treasury function with profits converted to pounds sterling via foreign exchange spot deals.

The Company's business activities primarily involve brokering derivative contracts, specifically foreign currency forwards and foreign currency options, to clients and entering into back to back arrangements with vendors. As such, the back to back nature of the transactions eliminates currency risk for the Company on these balances.

The Company maintains bank balances in a number of currencies, and invoices and receives payments in these currencies, therefore is exposed to movements in foreign exchange rates on these balances.

***Liquidity risk*** - Liquidity risk is the risk that the Company will encounter difficulty in meeting its short-term financial obligations as they fall due. The settlement of derivative financial instrument contracts and other short term working capital requirements necessitates adequate liquidity which is generated through intra-day settlement facilities. These facilities are provided by a range of financial institutions with which the Company has a long trading history. The Company manages this risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

***Credit risk*** - Credit risk arises from the possibility that the Company will incur financial losses from the failure of a client or counterparty to meet its obligations under a contract. The Company does not generally provide credit to its clients but credit exposures can arise, normally for a short period of time, as the Company depends on its clients to pay for monies and services provided and to honour their obligations under foreign exchange contracts entered. All material credit exposures require approval from the Moneycorp Group Credit Committee comprising individuals who are independent from the revenue generation functions of the business.

Credit exposures are monitored daily against approved risk tolerance limits and client margins are called for where it is deemed appropriate.

The Company has material receivable balances that have potential credit risk exposures however realised credit losses during the year were minimal, as are expected future credit losses. The Company's policies require new clients to be reviewed for creditworthiness before standard payment and delivery terms and conditions are entered into. Individual credit terms are set and monitored regularly.

More information is disclosed in notes 18 and 27 to the financial statements.

***Physical risk***

Physical risk arises from the Company's exposure to theft, misappropriation or damage to its physical assets. The Company maintains appropriate physical security measures and operates suitable policies and procedures to mitigate this risk. The Company also maintains appropriate levels of insurance to limit its exposure.

***Impact of COVID-19 on the Company's risk management***

The Directors continue to consider the risks faced by the Company as a result of the COVID-19 pandemic, including the potential impact on the demand for the Company's foreign currency products, change in credit risk of clients and liquidity of financial assets. The Company has not experienced any significant change in risks to date since the global pandemic was declared, however the Directors will continue to monitor any developments and respond accordingly.

The Directors have included the impact of COVID-19 on the business performance to date as part of the assessment of the going concern assumption for the Company. Refer to the Directors' Report for further details.

**Director's duties under Section 172 of the Companies Act 2006**
The Directors are mindful of their responsibilities under section 172 of the Companies Act 2006. Whilst performing their duties the Directors have acted in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members whilst taking into consideration a range of stakeholders' views/issues. This includes consideration of the following points:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, clients and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

The intention of the Directors is to behave responsibly and ensure that management operate the business in an appropriate manner, operating with the high standard of conduct expected of a regulated business such as ours. The intention is to nurture the Company's reputation through the relationships that are created and managed with key stakeholders.

Important decisions that could have an impact on the stakeholders are discussed in an open and transparent manner. As an example, the decision to transfer the European business of the Company to MTL in Ireland, and the subsequent implementation of this, represented a significant decision which impacted various stakeholders during the year.

We recognise that the Company's clients are at the very heart of our business and that treating clients fairly is a key ingredient to developing and maintaining a long term sustainable business. Business is always conducted with integrity, skill, care and diligence. The business pays due regard to the information needs of its clients and communicates information to them in a way which is clear, fair and not misleading. As such, clients can be confident that they are dealing with a business where the fair treatment of clients is central to the corporate culture. Clients were kept well informed about the impact of Brexit on the Company and as a result the migration of clients to MTL occurred with a high retention rate.

The Company is committed to employee involvement as it believes that its business objectives are best achieved if the Company's employees understand and support the strategy. As a Company we act with honesty and integrity and recognise that well trained, highly motivated staff are our most important asset. In addition, training is available and provided to all levels of staff, and investment in employee development is a priority. The Directors ensure communication to employees regarding any key decisions that impact the business are done regularly and openly. As a result of Brexit, the employees of the Irish and Romanian branches of the Company were transferred to MTL. Employees were engaged throughout this process to ensure transparency and fluidity of the migration process.

The Company's policy is not to discriminate against anyone, on any grounds. The Company is committed to employment policies which follow best practice, based on equal opportunities for all, irrespective of age, sex or sexual orientation, race, colour, disability or marital or civil partnership status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company.

The Company operates in a highly regulated environment and the Directors acknowledge the importance of open and continuous dialogue with its regulators. As steps are taken to achieve its strategic objectives, the Directors pay careful consideration to the corresponding risks faced by the Company. Regular Risk Committee meetings are held to ensure that the Company is meeting its regulatory requirements including compliance with all FCA requirements.

Good ethics, good business and best practice are compatible and produce the best long term results. The Company's values of accountability, collaboration, determination, integrity and recognition are embedded throughout the business.

**Environmental, Social, and Governance (ESG) reporting**
The Company is constantly reviewing its ESG policy. During the year the Company and wider Moneycorp Group delivered 180 hours of mentoring to 32 students under its Future Frontiers program.

**Streamlined energy and carbon reporting (SECR)**
The Company's greenhouse gas (GHG) reporting is undertaken in line the new SECR requirements for large unquoted companies implemented per The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, as stipulated by the Companies Act 2006.

***Scope***
Management assessed all fuel and electricity consumption activities occurring across all UK sites which contribute to overall energy use. It was determined that the following sources of emissions would be recorded, in line with SECR guidelines:

- Vehicle fuel consumption associated with the Company's UK operations, including the reimbursement to employees following claims for business mileage;
- Natural Gas consumption (scope 1); and
- Electricity consumption (scope 2).

***GHG emissions and energy consumption***
The Company's scope 1 and 2 GHG emissions and total energy consumption associated with its UK operations for 2020 are outlined below.

The method used for calculating GHG emissions is in line with the GHG Protocol Corporate Accounting and Reporting Standard. Energy consumption figures in kWh were obtained from electricity invoices for each relevant site. Consumption through the use of fuel was obtained through spend data which was converted into mileage figures. Energy consumption and mileage figures have been converted into tonnes of carbon dioxide equivalent ($tCO_2e$) and kWh respectively using the UK Government GHG Conversion Factors for Company Reporting 2020.

Total site area in $m^2$ occupied by the Company was used as the denominator to calculate the associated GHG emission intensity.

| ***GHG emissions*** | 2020 | |
|---|---|---|
| **Emissions source** | **GHG Emissions ($tCO_2e$)** | **GHG Emissions Intensity ($tCO_2e$ / $m^2$)** |
| Scope 1 (direct) | 34.0 | 13.3 |
| Scope 2 (energy indirect) | 76.7 | 29.9 |
| **Total** | **110.7** | **43.2** |

| ***Energy consumption*** | 2020 | |
|---|---|---|
| **Source of energy consumption** | **Energy consumption (kWh)** | **Energy Intensity (kWh/ $m^2$)** |
| Vehicle fuel | 48,915 | 19.1 |
| Natural gas | 119,067 | 46.5 |
| Electricity | 328,835 | 128.3 |
| **Total** | **496,817** | **193.9** |

***Actions taken to improve energy efficiency***
Opportunities to implement energy efficiency measures are limited due to most sites being leased as opposed to owned. The Company has however taken steps to reduce electricity emissions where possible. For example, at the Company's Coventry office, energy efficiency actions were taken due to COVID-19 restrictions including switching off of fridges, dishwashers, Zip Tap and televisions in order to conserve energy. When the Company reopened the office, the main appliances were switched on last and lights were kept on a motion sensor to ensure electricity usage was kept to a minimum.

**Streamlined energy and carbon reporting (SECR) - continued**

***Actions taken to improve energy efficiency - continued***

Additionally, the Company offers a cycle to work scheme to encourage employees to use environmentally friendly transport for their commute to the Company's offices. Furthermore, due to the COVID-19 pandemic, the Company has implemented remote working where possible, therefore, emissions associated with employees travelling to work have significantly reduced.

**Litigation**

*First Rate FX Limited*

Following the acquisition of First Rate FX Limited in January 2018 a legal dispute over the completion accounts and other matters arose with the former shareholders of First Rate FX Limited. In December 2020 a final settlement amount was agreed between the relevant parties and this matter is now closed.

Refer to notes 22 and 30 to the financial statements for further details.

**Subsequent events**

*Strategic review of Australian businesses*

Subsequent to the balance sheet date, the Board has reviewed the strategic fit of the Australian based subsidiary companies and whether these are in line with overall Moneycorp Group strategy. Whilst no definitive actions have yet been carried out, the Directors intend to exit these businesses, either by way of sale or winding down the companies, in order to focus on the growth of other business segments.

*Sublease rental review*

In June 2021 the Company entered into a deed of variation relating to the sublease, held on the balance sheet as a net investment receivable. The amendment provided further rent free periods to the lessee as well as an additional early termination break clause. The estimated impact of the variation on the financial statements in 2021 is a decrease to the net investment receivable of approximately £1,300k and a corresponding increase to right of use assets.

*UK Coronavirus Job Retention Scheme repayment*

During the year the Company received government grants from the UK Coronavirus Job Retention Scheme of £339k (see note 8 to the financial statements for further details). Whilst there was no requirement to do so, the Company voluntarily repaid all of these funds subsequent to the balance sheet date.

On behalf of the Board

D Chandler
Director
27 August 2021

The Directors present their report and the audited financial statements of TTT Moneycorp Limited (the 'Company') incorporated and domiciled in England and Wales, United Kingdom (UK) for the year ended 31 December 2020.

**Controlling interest**
The holding company of the Moneycorp Group (see note 32 to the financial statements for the definition of the Moneycorp Group) is Moneta Topco Limited (100% effective holding), a company incorporated and registered in Jersey, Channel Islands. The ultimate controller of Moneta Topco Limited is Bridgepoint Europe IV (Nominees) Limited.

**Principal activities and outlook**
The principal activities of the Company are acting as a broker in the provision of foreign currency products specifically foreign exchange spots and forwards to businesses and individuals. The Company is authorised and regulated by the Financial Conduct Authority (FCA). The Company has branches in Spain, Ireland and Romania which are not subject to the FCA regulations. As detailed in the Strategic Report, the trade and associated balances of the branches were migrated to a related Moneycorp Group company during the year.

A review of the business and future developments, including subsequent events, along with the Company's risk management are described within the Strategic Report on pages 3-10.

**Directors**
The Directors listed below have served the Company during the year and up to the date of signing the financial statements unless otherwise stated:

| | | |
|---|---|---|
| Executive Director | D Chandler | (appointed 5 October 2020) |
| Executive Director | A Harrison | (appointed 2 March 2020) |
| Executive Director | L McDarby | (appointed 5 October 2020) |
| Executive Director | M Horgan | (resigned 2 March 2020) |
| Executive Director | N Haslehurst | (resigned 5 October 2020) |
| Representative of Bridgepoint Europe IV (Nominees) Limited | S Green | (resigned 29 July 2020) |
| Representative of Bridgepoint Europe IV (Nominees) Limited | R Moores | (resigned 29 July 2020) |

None of the Directors hold any interest in the shares of the Company.

Further details about the Company can be found in the Company Information on page 1.

**Results and dividends**
The statement of comprehensive income for the year ended 31 December 2020 is set out on page 17.

No interim dividends were declared during the current or prior year and the Directors do not recommend the payment of a final dividend (2019: nil).

**Charities and donations**
Donations of £2k were made during the year for charitable purposes (2019: £17k). No donations were made for political purposes during the year (2019: nil).

**Going concern assessment**
The Directors assess the Company's going concern for a period of at least 12 months from the signing of the annual report and financial statements. The assessment has been undertaken by considering the risk factors outlined in the Strategic Report, with particular focus given to the impact of COVID-19 on the Company's risk management, and events arising subsequent to year end, as well as the impact of the migration of European based clients out of the Company as a result of Brexit.

**Going concern assessment - continued**
In making this assessment the Directors consider:
- whether there is sufficient liquidity and financing to support the business, its corporate transactions and future trading;
- whether post balance sheet date trading is in line with expectations;
- if the Company and Moneycorp Group would be able to trade after the impact of a reasonable downside scenario on performance (stress testing);
- the adequacy of insurance cover;
- the continued parental support, including through shareholder loans;
- the continued availability of financing facilities and trading lines;
- complying with, or varying, covenant requirements of financing and facilities;
- the regulatory environment in which the Company operates; and
- the effectiveness of risk management policies, in particular, business continuity, compliance, regulatory and counterparty risks.

As a result of Brexit and the migration of all European based clients to a related Moneycorp Group company in Quarter 4 2020, it is expected that the Company's trade and results will decrease in 2021. For the first half of 2021 the Company reported revenue of £18,945k. This represents a 17% decrease against the same period in 2020 results (noting that 2020 includes the revenue from the branches and European clients of the UK Company which are both nil in 2021). The Company however is still returning positive EBITDA with results for the first five months of 2021 of £2,359k.

Going concern of the Company is considered as part of the Moneycorp Group's going concern assessment. As part of this the Directors have undertaken scenario planning to understand the impact on the EBITDA and cash flows for the Moneycorp Group's International Payment business unit (which includes the Company). This assessment included various scenarios including a stress scenario (25% reduction to international payment revenue from the 2021 budget, forecasted out for at least 12 months from the signing date of this report).

The Directors have concluded that even if the stress scenario were to occur, the Moneycorp Group and the Company could continue to operate as a going concern and trade through this uncertain period after giving consideration to the following supporting factors:

- the diversity of the Moneycorp Group and Company's operations, product offerings and client base assists in reducing the overall risk;
- the positive ongoing relationship with the wider Moneycorp Group's lenders including that shown during 2020; and
- the agreed financial support from the ultimate controller to the Moneycorp Group in the form of short term funding or increased equity funding in order to support operations.

The Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the Moneycorp Group and Company were unable to continue as a going concern.

**Brexit**
Following the passing of the European Union (EU) (Withdrawal Agreement) Bill on 31 January 2020 the UK left the EU, but was allowed to continue its relationship until the end of the transitional period being 31 December 2020. In Quarter 4 2020 the European based clients and the associated operations of the Company and its branches were migrated to a European based company within the Moneycorp Group. Refer to the Strategic Report for further details.

The Company's branches are now non-trading and will look to be wound up in due course.

Furthermore, the impact of Brexit on importers and exporters will likely become clearer in the coming months as COVID-19 related government support schemes are removed. The follow-on effects of Brexit on importers and exporters are hard to predict but could negatively impact the demand for the Company's foreign currency products, or change the credit risk of clients.

**Brexit - continued**
The Directors have considered current business plans and assessed all the risks faced by the Company, noting that the diversification of operations (both of its client base and product offerings) will assist in minimising any adverse impacts if they eventuate. The Directors do not believe that the impact of Brexit will have a significant effect on the Company including its ability to continue as a going concern.

**Statement of Directors' responsibilities in respect of the financial statements**
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, as applied in compliance with the provisions of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether they have been prepared in accordance with IFRSs as applied in compliance with the provisions of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

**Directors' confirmations**
In the case of each director in office at the date the Directors' Report is approved:
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditors**
BDO LLP were appointed as auditors for the year ended 31 December 2020 and have indicated their willingness to continue in office. A resolution that they will be reappointed will be proposed at the next meeting of the Board of Directors.

On behalf of the Board

D Chandler
Director
27 August 2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TTT MONEYCORP LIMITED

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as issued by the IASB; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of TTT Moneycorp Limited ("the Company") for the year ended 31 December 2020, which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity, Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

**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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remain 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.

**Conclusions relating to going concern**

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

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

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

**Other information**

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

We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TTT MONEYCORP LIMITED

**Other Companies Act 2006 reporting**

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 material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

**Responsibilities of Directors**

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

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

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

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which the company operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. Our audit procedures were designed to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to compliance with Companies Act 2006, relevant accounting standards and UK tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We considered compliance with this framework through discussions with management and those charged with governance and performed audit procedures on these areas as considered necessary. Our procedures involved enquiries with Management, review of the reporting to the directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates. We addressed the risk of management override of internal controls through testing journals, in particular any entries posted with unusual account combinations or posted by senior management. We evaluated whether there was evidence of bias by the Directors in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**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:
Orla Reilly
71EF60F02ABB47E...
Orla Reilly (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 27 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## TTT Moneycorp Limited
## Statement of comprehensive income
For the year ended 31 December 2020

| | Note | 2020 £000 | 2019 £000 |
|---|---|---|---|
| **Continuing operations:** | | | |
| Revenue | 7 | 43,494 | 53,172 |
| Administrative expenses | 8 | (53,718) | (58,543) |
| Other income – rental | | 70 | 49 |
| Net foreign exchange (losses)/gains | | (210) | 484 |
| **Operating loss** | | (10,364) | (4,838) |
| Finance income | 9 | 127 | 140 |
| Finance costs | 10 | (722) | (730) |
| **Net finance costs** | | (595) | (590) |
| **Loss before tax** | | (10,959) | (5,428) |
| Tax (charge)/credit | 11 | (700) | 1,470 |
| **Loss and total comprehensive loss for the year attributable to the owners of the Company** | | **(11,659)** | **(3,958)** |

No other comprehensive income items were recorded during the year (2019: nil).

The above statement should be read in conjunction with the accompanying notes on pages 21 to 57.

# TTT Moneycorp Limited
## Balance sheet
As at 31 December 2020

| | Note | 2020 £000 | 2019 Restated* £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill and other intangible assets | 12 | 21,832 | 21,791 |
| Property, plant and equipment | 13 | 1,671 | 1,960 |
| Right-of-use assets | 14 | 6,958 | 8,039 |
| Investment in subsidiaries | 15 | 5,782 | 5,456 |
| Net investment receivable | 14 | 1,868 | 2,155 |
| Deferred tax asset | 20 | - | 1,037 |
| | | **38,111** | **40,438** |
| **Current assets** | | | |
| Cash and cash equivalents | 17 | 281,041 | 348,325 |
| Trade and other receivables | 18 | 114,544 | 100,242 |
| Prepayments | | 1,003 | 909 |
| Net investment receivable | 14 | 287 | 272 |
| Derivative financial instruments | 19 | 72,852 | 81,636 |
| Current tax assets | | 122 | 1,437 |
| | | **469,849** | **532,821** |
| **Total assets** | | **507,960** | **573,259** |
| **Non-current liabilities** | | | |
| Borrowings | 23 | (1,220) | (1,159) |
| Lease liabilities | 14 | (9,268) | (10,688) |
| | | **(10,488)** | **(11,847)** |
| **Current liabilities** | | | |
| Trade and other payables | 21 | (374,176) | (417,734) |
| Provisions | 22 | - | (2,683) |
| Borrowings | 23 | (181) | (1,023) |
| Lease liabilities | 14 | (1,430) | (1,392) |
| Derivative financial instruments | 19 | (68,425) | (73,661) |
| | | **(444,212)** | **(496,493)** |
| **Total liabilities** | | **(454,700)** | **(508,340)** |
| **Net assets** | | **53,260** | **64,919** |
| **Equity** | | | |
| Share capital | 25 | 350 | 350 |
| Other reserves | | 808 | 808 |
| Retained earnings | | 52,102 | 63,761 |
| **Total equity** | | **53,260** | **64,919** |

* See note 2 for details regarding the restatement as a result of the change in presentation of overdrawn bank balances.

The financial statements of TTT Moneycorp Limited (registered number 00738837) were approved by the Board of Directors and authorised for issue on 27 August 2021. The Directors do not have the power to amend the financial statements after issue. They were signed on behalf of the Board by:

D Chandler
Director

The above balance sheet should be read in conjunction with the accompanying notes on pages 21 to 57.

# TTT Moneycorp Limited
## Statement of changes in equity
For the year ended 31 December 2020

| | Share Capital £000 | Other reserves £000 | Retained earnings £000 | Total Equity £000 |
|---|---|---|---|---|
| **Balance at 1 January 2019** | 350 | 808 | 67,719 | 68,877 |
| Loss for the year | - | - | (3,958) | (3,958) |
| Total comprehensive loss | - | - | (3,958) | (3,958) |
| **Balance at 31 December 2019** | **350** | **808** | **63,761** | **64,919** |
| **Balance at 1 January 2020** | 350 | 808 | 63,761 | 64,919 |
| Loss for the year | - | - | (11,659) | (11,659) |
| Total comprehensive loss | - | - | (11,659) | (11,659) |
| **Balance at 31 December 2020** | **350** | **808** | **52,102** | **53,260** |

The above statement should be read in conjunction with the accompanying notes on pages 21 to 57.

# TTT Moneycorp Limited
## Statement of cash flows
For the year ended 31 December 2020

| | Note | 2020 £000 | 2019 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash generated from/(used in) operations | 26 | 102,079 | (7,470) |
| Interest received | | 2 | - |
| Interest paid | | (38) | - |
| Income tax refund received | | 1,747 | 1,500 |
| Income tax paid | | (95) | (803) |
| **Net cash inflow/(outflow) from operating activities** | | 103,695 | (6,773) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | (180) | (116) |
| Purchases of intangible assets | | (4,082) | (4,448) |
| Investment in subsidiaries | 15 | (326) | (2,888) |
| Proceeds from net investment receivable | | 397 | 398 |
| **Net cash outflow from investing activities** | | (4,191) | (7,054) |
| **Cash flows from financing activities** | | | |
| Repayments of lease liabilities | | (2,021) | (2,029) |
| Cash of European business transferred to other related party | 1 | (166,994) | - |
| **Net cash outflow from financing activities** | | (169,015) | (2,029) |
| **Net decrease in cash and cash equivalents** | | **(69,511)** | **(15,856)** |
| **Cash and cash equivalents at the beginning of the year** | | **347,302** | **371,817** |
| Effects of exchange rate changes on cash and cash equivalents | 26 | 3,069 | (8,659) |
| **Cash and cash equivalents at the end of the year** | 17 | **280,860** | **347,302** |

The above statement should be read in conjunction with the accompanying notes on pages 21 to 57.

## 1. GENERAL INFORMATION

TTT Moneycorp Limited (the 'Company') is a private company limited by shares, incorporated in England and Wales, United Kingdom (UK) under the Companies Act 2006. The address of the registered office is given in the company information on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 3 to 10.

***Migration of European business following Brexit***
Following the passing of the European Union (EU) (Withdrawal Agreement) Bill on 31 January 2020 the UK left the EU, but was allowed to continue its relationship until the end of the transitional period being 31 December 2020. During the transitional period the UK and EU were to negotiate their future relationship. On 24 June 2020 the Moneycorp Group was granted a MiFID and e-money licence (EMI) in Ireland through Moneycorp Technologies Limited (MTL) from the Central Bank of Ireland. See note 32 for the definition of the Moneycorp Group.

All clients of the Irish and Romanian branches of the Company, and their associated balances, were migrated to MTL between October and December 2020 which included both the European based clients and UK based clients. Additionally, all European based clients of the Company that traded via the UK based office were also migrated. Employees of the Irish and Romanian branches were transferred on 1 October 2020 and 11 December 2020 respectively.

The Company's branches are now non-trading and will look to be wound up in due course.

See below a summary of the associated balances transferred:

| **Balances of European-based clients transferred to MTL** | **£000** |
|---|---|
| Cash and cash equivalents | 166,994 |
| Derivative financial instrument assets | 5,502 |
| Trade and other payables | (166,994) |
| Derivative financial instrument liabilities | (5,502) |
| | - |

## 2. BASIS OF PREPARATION

**Compliance with IFRS**
The financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs), as applied in compliance with the provisions of the Companies Act 2006.

**Historical cost convention**
The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments) which are measured at fair value at the end of each reporting period, as explained in the accounting policies in note 5. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs on the fair value measurement in its entirety. Refer to note 19 for details over each level.

## 2. BASIS OF PREPARATION - CONTINUED

**Going concern basis**
The Directors assess the Company's going concern for a period of at least 12 months from the signing of the annual report and financial statements. The assessment has been undertaken by considering the risk factors outlined in the Strategic Report, with particular focus given to the impact of COVID-19 on the Company's risk management, and events arising subsequent to the balance sheet date, as well as the impact of the migration of European based clients out of the Company as a result of Brexit.

In making this assessment the Directors consider:

- whether there is sufficient liquidity and financing to support the business, its corporate transactions and future trading;
- whether post balance sheet date trading is in line with expectations;
- if the Company and Moneycorp Group would be able to trade after the impact of a reasonable downside scenario on performance (stress testing);
- the adequacy of insurance cover;
- the continued parental support, including through shareholder loans;
- the continued availability of financing facilities and trading lines;
- complying with, or varying, covenant requirements of financing and facilities;
- the regulatory environment in which the Company operates; and
- the effectiveness of risk management policies, in particular, business continuity, compliance, regulatory and counterparty risks.

The performance for the Company for the first half of 2021 has been detailed in the going concern section of the Directors' Report. Despite the loss of clients due to their migration to another Moneycorp Group company following Brexit, the Company has continued to perform in line with expectations returning positive EBITDA.

Going concern of the Company is considered as part of the Moneycorp Group's going concern assessment. As part of this the Directors have undertaken scenario planning to understand the impact on the EBITDA and cash flows for the Moneycorp Group's International Payment business unit (which includes the Company). This assessment included various scenarios including a stress scenario (25% reduction to international payment revenue from the 2021 budget, forecasted out for at least 12 months from the signing date of the financial statements).

The Directors have concluded that even if the stress scenario were to occur, the Moneycorp Group and the Company could continue to operate as a going concern and trade through this uncertain period after giving consideration to the following supporting factors:

- the diversity of the Moneycorp Group and Company's operations, product offerings and client base assists in reducing the overall risk;
- the positive ongoing relationship with the wider Moneycorp Group's lenders including that shown during 2020; and
- the agreed financial support from the ultimate controller to the Moneycorp Group in the form of short term funding or increased equity funding in order to support operations.

The Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the Moneycorp Group and Company were unable to continue as a going concern.

**Comparative numbers**
*Bank overdrafts*
The Company has changed its accounting policy, and subsequently the presentation, of bank overdrafts during the current year as a result of an error. Historically cash and cash equivalents were presented net of bank overdrafts, however bank overdrafts are now shown separately on the balance sheet. This change has been made because there is no legally enforceable right to offset these and therefore net-off is not permitted as per IAS 32 *Financial Instruments – Presentation*. For comparability, the prior year presentation has also been updated.

There have been no changes to the reported loss after tax or overall net asset positions presented within the primary statements as a result of the above change. Certain other prior year comparatives within the notes to the financial statements have been updated to reflect current year presentation.

### 3. NEW AND REVISED STANDARDS ADOPTED IN THE CURRENT PERIOD

The Company has adopted the following standards and amendments for the first time for the annual reporting year commencing 1 January 2020:

| Standard | New standard / amendment: |
|---|---|
| - IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Material | Amendment |
| - IFRS 3 *Business Combinations* - Definition of a Business | Amendment |
| - IFRS 16 *Leases* - COVID-19 Related Rent Concessions | Amendment |
| - Revised Conceptual Framework for Financial Reporting | Amendment |
| - IFRS 7 *Financial Instruments: Disclosures,* IFRS 9 *Financial Instruments* and IAS39 *Financial Instruments Recognition and Measurement* - Interest Rate Benchmark Reform | Amendment |

None of these developments have had a material effect on how the Company's statement of comprehensive income or balance sheet for the current or prior year have been prepared or presented.

### 4. NEW AND REVISED STANDARDS NOT YET ADOPTED

On 31 January 2020 the UK exited the EU. During the transition period, which ended on 31 December 2020, companies continued to apply IFRS as adopted by the EU. For financial periods beginning on or after 1 January 2021, companies are to apply IFRS Standards as adopted by the UK (IFRS UK). The Company's 2021 financial statements will therefore be prepared under IFRS UK. Currently the UK-adopted IFRS are identical to EU-adopted IFRS.

Certain new standards and interpretations have been published that are not mandatory for the 31 December 2020 reporting period and have not been early adopted by the Company.

| Standard | New standard / amendment: | Effective for annual reporting periods beginning on or after: |
|---|---|---|
| - IFRS 17 *Insurance Contracts* | New | 1 January 2023 |
| - IAS 1 *Presentation of Financial Statements* | Amendment | 1 January 2023 |
| - IAS 16 *Property, Plant and Equipment* | Amendment | 1 January 2022 |
| - IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* | Amendment | 1 January 2022 |
| - IFRS 3 *Business Combinations* | Amendment | 1 January 2022 |
| - Annual Improvements to IFRS Standards 2018-2020: IFRS 9 *Financial Instruments*, IFRS 16 *Leases,* IFRS 1 *First time Adoption of IFRS* and IFRS 4 *Agriculture* | Amendment | 1 January 2022 |
| - IAS 28 *Investments in Associates and Joint Ventures* | Amendment | Yet to be advised |
| - IFRS 10 *Consolidated Financial Statements* | Amendment | Yet to be advised |

None of the above standards that are not yet effective are expected to have a material impact on the Company in the current or future reporting periods or on foreseeable future transactions.

### 5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below. These policies have been consistently applied to both years presented unless otherwise stated.

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

**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Business combinations - continued**
Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date values for the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) regarding facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that does not qualify as a measurement period adjustment, depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

**Functional and presentation currency**
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in pounds sterling (GBP), which is the Company's functional and presentation currency, and have been rounded to the nearest thousand pounds, except when otherwise indicated.

**Foreign currencies**
Trading transactions denominated in currencies other than the Company's functional currency (foreign currencies) are translated at the exchange rate prevailing on the date of the transaction.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at year end exchange rates. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates to the functional currency, are recognised in profit or loss.

**Intangible assets**
***Goodwill***
Goodwill is initially recognised and measured as set out in 'business combinations' above.

Goodwill is not amortised but is tested for impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units (see note 12). Cash-generating units (CGUs), to which goodwill has been allocated, are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated firstly to reduce the carrying amount of any goodwill allocated to the unit and secondly to the other assets of the unit pro-rated on the basis of the carrying amount of each asset in the unit. An impairment loss recognised on goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Intangible assets - continued**

***Customer relationships***

Customer relationships recognised upon business combinations are accounted for at fair value at the acquisition date and amortised on a straight line basis over the term, or expected term, of the relationships.

***Computer software***

Costs associated with the research phase of internally developed software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products are recognised as intangible assets when they meet the recognition criteria in IAS 38 *Intangible assets.*

Externally acquired computer software and configuration costs are capitalised on the basis of the costs incurred to acquire and bring the assets to use.

Capitalised software costs are recorded as intangible assets and amortised on a straight line basis over their estimated useful lives from the point in which the asset is ready for use. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, such as maintenance of software programmes, is expensed as incurred.

Estimated useful lives are as follows:

| | |
|---|---|
| Customer relationships | 2-6 years |
| Computer software | 4-5 years |

***Impairment of intangible assets***

For intangible assets with finite lives, assets are tested for impairment when there are any indicators that the carrying amount of the assets cannot be recovered. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is calculated as the higher of fair value less costs to sell and value-in-use. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the statement of comprehensive income.

**Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and any recognised impairment loss.

Depreciation of these assets commences when the assets are ready for their intended use. Depreciation is recognised to write down the cost or valuation, less the residual value, of assets over their useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Fixtures and fittings | 4-10 years |
| Computer equipment | 4 years |

Leasehold properties are depreciated over the period of the leases. Improvements to leased properties, including fixtures and fittings and computer equipment, are depreciated over the expected life of those improvements/assets, or period of the lease, whichever is more reflective of the expected economic life of the asset.

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

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

### 5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

***Impairment of property, plant and equipment***
At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Investment in subsidiaries**
Investments in subsidiaries are valued at the lower of cost and net realisable value. The carrying amounts of investments are reviewed annually to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. An impairment loss is recognised in the statement of comprehensive income in the period it arises.

**Financial instruments**
Financial instruments are classified as financial assets, financial liabilities or equity instruments, and are initially recognised when the Company becomes party to the contractual provisions of the instrument.

***Classification:***
The Company classifies its financial assets and liabilities in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

***Recognition and derecognition:***
Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. All financial instruments are initially measured at fair value adjusted for transaction costs.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Company derecognises a financial liability when, and only when, the Company's obligations are discharged, cancelled or they expire.

The Company classifies its instruments based on the Company's business model for managing the financial assets and liabilities and the contractual terms of the cash flows. The Company's financial assets and liabilities are managed and their performance evaluated on a fair value basis.

**Financial assets at amortised cost**

***Cash and cash equivalents***
Cash and cash equivalents comprise of cash and funds held in short-term bank deposits with an original maturity of three months or less, including overnight money-market funds. The carrying amount of these assets is approximately equal to their fair value. Any overdrawn bank accounts are presented separately on the balance sheet within borrowings.

***Trade and other receivables***
Trade and other receivables relate to international payment receivables, for unsettled client trades, and related party receivables. They are recognised at original contract value and subsequently measured at amortised cost, using the effective interest method, less loss allowance.

## 5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

***Impairment of financial assets at amortised cost***

At the reporting date the Company measures a loss allowance on financial assets other than those at fair value through profit or loss. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortised cost regardless of if the credit risk has increased significantly since initial recognition or not. The amount of the loss allowance on financial assets is recognised in the statement of comprehensive income within administrative expenses.

For trade and other receivables, balances are written off against the net impairment loss where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a counterparty to engage in a repayment plan with the Company or the counterparty entering bankruptcy or financial reorganisation. Subsequent recoveries of amounts previously written off are credited against the same line item within administrative expenses.

Given the high credit quality and short term nature of the financial assets measured at amortised cost, the Company does not anticipate any material expected credit losses to be applicable for these assets.

**Financial liabilities at amortised cost**

***Borrowings***

Borrowings are initially measured at fair value less attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, with any interest expense recognised on an effective interest basis.

Borrowings are removed from the balance sheet when the obligations specified in the contract are discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

***Trade and other payables***

Trade and other payables, including accruals, represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the balance sheet date. They are recognised initially at the original invoice or contract value, or expected contract value, being the best estimate of fair value and subsequently measured at amortised cost using the effective interest method.

Included in trade and other payables is the Company's obligation to individuals and businesses in regards to outstanding client balances. They are recognised at the value of the cash consideration received being the best estimate of fair value.

**Derivative financial instruments**

The Company enters into a variety of derivative financial instruments for trading purposes acting as a broker in the provision of foreign exchange spot, forward and option contracts to businesses and individuals. In addition, a small number of derivative financial instruments are entered into to manage exposure to the Company's foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the statement of comprehensive income within revenue. Further details regarding the fair value measurement and valuation process of derivative financial instruments are disclosed in note 19.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Derivative financial instruments – continued**
Derivative financial instruments are held for trading and as such are presented as a current asset or a current liability, irrespective of the contractual maturity date.

**Share capital**
Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

**Revenue**
Revenue primarily consists of the margin earned between the buying and selling price of currencies sold in foreign exchange spot, forward and option deals. As these contracts are classed as financial instruments, revenue is recognised based on the requirements of IFRS 9 *Financial Instruments*. Revenue is recognised on trade date and presented as a net gain on financial instruments held at fair value through profit or loss.

A fixed fee is charged to clients who trade lower amounts of currency in their international payment transactions. Payment of the fixed fee is due when the client makes the transaction. International payments generally have only one performance obligation and revenue is recognised at the point in time when control of the foreign currency purchased is transferred to the client.

Clients are also able to buy currency and load it onto a card rather than have physical currency. Prepaid card revenue is earned and recognised when the client buys the currency to load onto a card. Revenue is also earned when the client uses the card for POS transactions, ATM withdrawals, cash outs and money transfers or incurs inactivity charges. Fees vary depending on the transaction and are either fixed or a percentage of the transaction amount. Prepaid card revenue has one performance obligation and is recognised at the point in time when the transaction is made, generally when the client spends or withdraws.

**Finance income and costs**
Interest accrued on borrowings is recorded within finance costs. Additionally the Company classifies interest charged on its operating bank accounts, as well as other costs associated with the management of cash and cash equivalents, and interest on lease liabilities, as finance costs.

Interest earned and paid on client held funds forms part of the general operations of the Company and hence is presented as part of revenue and administrative expenses respectively.

**Leases**
The Company leases its office space. Lease terms are negotiated on an individual basis and can often contain a wide range of different terms and conditions. The Company assesses whether a contract is, or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Lease payments for these leases are recognised on a straight-line basis as an expense in the statement of comprehensive income.

For contracts where the supplier has substantive rights to substitute the asset throughout the period of use, these do not meet the definition of a contract that contains a lease under IFRS 16 *Leases* and as such payments are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the following lease payments:

- fixed payments (including in-substance fixed payments) less any lease incentives;
- variable lease payment that are based on an index or a rate;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option; and
- payments to be made under extension options when it is reasonably certain that the Company will extend the lease.

**5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Leases - continued**

The lease liability is initially measured at the present value of the above lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the lessee's incremental borrowing rate is used. This is determined to be the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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 changes, or there is a change in the assessment of the likelihood of exercising a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a recalculated discount rate; or
- 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 the initial discount rate.

Net investment receivables are recognised in relation to any sublease of property where the Company holds the head lease on the balance sheet as a lease liability. The net investment receivable is initially measured at the present value of the future lease receipts that are not received at the commencement date, discounted using the same rate used for the head lease. The net investment receivable is subsequently measured by increasing the carrying amount to reflect interest on the asset (using the effective interest method) and by reducing the carrying amount to reflect the lease payments received.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, adjusted for any net investment receivable, plus lease payments made at or before the commencement date and any initial direct costs. They are depreciated over the lease term or useful life of the underlying asset, whichever is shorter. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

**Employee entitlements**

Employee entitlements for salaries and wages, bonuses, annual leave and other similar benefits are recognised in the statement of comprehensive income when they accrue to employees.

Liabilities for salaries and wages, including non-monetary benefits, which are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured using the amounts expected to be paid. The liabilities are presented as current employee related payables within trade and other payables on the balance sheet.

**Pensions defined contribution scheme**

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Obligations for contributions to the defined contribution pension scheme are recognised as an expense in the statement of comprehensive income as they fall due. The liability for contributions owing by the Company to the fund at the balance sheet date is disclosed in note 24 and is included within trade and other payables on the balance sheet.

**Government grants**

Grants received from governments are recognised at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. As permitted under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the Company presents government grants in the statement of comprehensive income as a deduction from the related expense within administrative expenses.

## 5. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Provisions**
Provisions are recognised when it is probable a present obligation will lead to an outflow of economic resources from the business. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Where possible outflows from the business are considered improbable, that is considered a contingent liability and no liability is recognised on the balance sheet.

**Taxation**
The income tax expense or credit for the year is the tax payable on the current year's taxable profit/(loss), based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

***Deferred taxation***
Deferred tax assets and liabilities are recognised where temporary differences arise between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit/(loss). Deferred tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

The amount of the asset or liability is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred liability is settled.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all, or part of, the asset to be recovered.

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

***Current tax and deferred tax for the year***
Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 5, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

**6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY - CONTINUED**

**Critical judgements in applying the Company's accounting policies - continued**
***Provisions and contingent liabilities***
Provisions can arise from time to time in relation to ongoing litigation and contractual obligations.

In regards to ongoing litigation, when the Company is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Company does not include detailed, case-specific disclosures in its financial statements.

Provisions are measured based on management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. Given the subjectivity and uncertainty of determining the probability and amount of losses, management take into account a number of factors including legal advice, the stage of the matter and historical evidence from similar legal proceeding, if any. Where the probability of outflow is considered to be remote, or probable but a reliable estimate cannot be made, a contingent liability is disclosed. Significant judgement is required to conclude on these estimates.

**Key sources of estimation uncertainty**
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

***Capitalisation of intangible assets***
Development expenditure represents costs incurred in relation to the internal development of various computer software projects to support the services and products of the Company. Management exercises judgement in determining which development costs meet the IAS 38 *Intangible Assets* criteria for capitalisation and lead to future economic benefits sufficient to recover the costs capitalised. This includes estimates as to the amount of time spent directly on development of new software or significant improvement of the existing systems. The capitalised assets are amortised over the useful economic lives of these assets.

***Impairment of goodwill***
Determining whether goodwill is impaired requires an estimation of the value in use and the fair value less costs to sell of the CGUs to which goodwill has been allocated. These calculations require management to estimate the future cash flows expected to arise from each CGU as well as a suitable discount rate in order to calculate present value under the value in use methodology. In calculating the fair value less costs to sell, identifying suitable comparable companies, when determining an appropriate valuation multiple, involves a level of judgement. Refer to note 12 for details over the goodwill impairment assessment including key judgements and assumptions made.

***Fair value measurements and valuation processes***
Derivative financial assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available (Level 1). Foreign currency forwards and options are considered to be Level 2 as the fair value measurements are derived from inputs other than quoted prices that are directly or indirectly observable.

The fair value of derivative financial assets and liabilities are stated after adjustments to reflect counterparty credit risk. Information about the valuation techniques and inputs used in determining the fair value, including adjustments for credit risk, are disclosed in notes 19 and 27.

The Company recognises derivative financial assets when counterparty positions are out of the money (from the perspective of the counterparty). Derivative financial liabilities are recognised by the Company when counterparty positions are in the money (from the perspective of the counterparty).

Counterparty credit risk adjustments on derivative financial assets are recorded within profit or loss. To prevent an accounting mismatch, the Company has elected to also recognise credit risk adjustments on derivative financial liabilities in profit or loss, rather than in other comprehensive income. The key judgements for counterparty credit risk adjustments are the credit ratings which are assigned internally by the Moneycorp Group Credit Department to counterparties and the corresponding default rate assigned to each credit rating.

## 6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY - CONTINUED

**Key sources of estimation uncertainty - continued**

***Fair value measurements and valuation processes- continued***

Further judgements are made in regards to the default rate assigned to the Company which is applied to derivative financial assets in order to reflect the possibly of default by the Company. See note 19 for further details.

***Impairment of financial assets at amortised cost***

Under IFRS 9, a forward-looking impairment model, based on expected credit losses (ECLs), applies to financial assets held at amortised cost. ECLs are probability-weighted estimates of credit losses. In calculating this ECL allowance, the Company considers information about past events and current conditions as well as supportable information about future events and economic conditions. See note 27 for further details.

***Taxation and deferred taxation***

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Company's latest budget forecasts. Forecasts are adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit, and expectations regarding future financing costs.

If a forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances. See note 20 for details of deferred tax balances.

Deferred taxation assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. The Directors have made an assessment of how much is expected to be utilised against future taxable income based on future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

## 7. REVENUE

| | 2020<br>£000 | 2019<br>£000 |
|---|---|---|
| **Revenue earned from financial instruments:** | | |
| Net gains on financial instruments held at fair value through profit or loss | 42,220 | 50,790 |
| | 42,220 | 50,790 |
| **Revenue from contracts with customers:** | | |
| Commission | - | 2 |
| Fees and charges | 418 | 705 |
| Prepaid cards | 783 | 1,305 |
| | 1,201 | 2,012 |
| **Other:** | | |
| Operating interest income | 73 | 370 |
| | 73 | 370 |
| **Total revenue** | 43,494 | 53,172 |

Nil international payments commission was earned from an associate entity of the Moneycorp Group during the year (2019: £2k).

## 8. ADMINISTRATIVE EXPENSES

Administrative expenses comprise the following:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Staff costs (see note 8a) | 13,184 | 15,416 |
| Management charges (see note 31) | 9,990 | 6,083 |
| Commissions | 5,772 | 6,604 |
| Amortisation of intangible assets (see note 12) | 3,894 | 4,049 |
| Depreciation of property, plant and equipment (see note 13) | 469 | 744 |
| Depreciation of right-of-use assets (see note 14) | 1,081 | 1,079 |
| Loss on disposal of intangible assets (see note 12) | 26 | - |
| Bank charges and transaction fees | 2,792 | 3,455 |
| Other personnel costs | 1,732 | 2,111 |
| Irrecoverable value-added tax | 1,525 | 2,068 |
| Advertising and marketing | 1,473 | 2,735 |
| Property expenses | 1,231 | 1,390 |
| IT support and maintenance | 1,132 | 1,397 |
| Legal and professional fees | 894 | 1,439 |
| Communications | 764 | 847 |
| Net impairment losses on financial assets (see note 27) | 447 | 956 |
| Travel and entertainment | 314 | 1,441 |
| Insurance | 180 | 185 |
| Auditor's remuneration (see note 8b) | 172 | 437 |
| Operating lease rentals | 69 | 260 |
| Operating interest paid on client held funds | 40 | 259 |
| Write down of investment in subsidiary (see note 15) | - | 1,615 |
| Other administrative costs | 159 | 250 |
| One-off costs (see note 8c) | 6,378 | 3,723 |
| | 53,718 | 58,543 |

### 8a. Staff costs

| The average monthly number of employees (including executive directors) was: | 2020 Number | 2019 Number |
|---|---|---|
| Management and administration | 6 | 6 |
| Operations | 185 | 196 |
| | 191 | 202 |

| Their aggregate remuneration comprised: | 2020 £000 | 2019 £000 |
|---|---|---|
| Wages and salaries | 11,592 | 13,560 |
| Social security costs | 1,288 | 1,525 |
| Other pension costs (see note 24) | 304 | 331 |
| | 13,184 | 15,416 |

## 8. ADMINISTRATIVE EXPENSES - CONTINUED

### 8b. Auditor's remuneration

The analysis of the auditor's remuneration included within administrative expenses is as follows:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Fees paid to the Company's auditors** | | |
| Audit of the Company's annual financial statements | 100 | 325 |
| Audit of the Company's prior year financial statements - incurred in the following year | 24 | 87 |
| **Total audit fees to the Company's auditors** | 124 | 412 |
| **Other non-audit fees** | | |
| Agreed upon procedures - Payment Services Directive reporting | 3 | 25 |
| Non assurance engagement - expert reporting | 45 | - |
| **Total non-audit fees to the Company's auditors** | 48 | 25 |
| **Total fees to the Company's auditors** | 172 | 437 |

Fees paid in relation to the 2019 audit, including £24k paid in 2020 in relation to the prior year, were paid to PricewaterhouseCoopers who were the Company's auditor in 2019. Fees in relation to the current year engagements totalling £148k relate to BDO LLP who were appointed as the Company's auditors in 2020.

### 8c. One-off costs

One-off costs can be categorised as follows:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| One off provisions and related legal fees | 3,096 | 55 |
| Staff costs (including redundancies for business closures) | 1,210 | 314 |
| One off strategic review | 1,201 | 19 |
| Business acquisition or set-up, and integration, costs | 586 | 3,135 |
| One off regulatory set up costs | 140 | 39 |
| Dual running costs | 89 | - |
| Other one off costs | 56 | 161 |
| | 6,378 | 3,723 |

One off provisions and related legal fees include £2,576k related to the First Rate FX Limited legal claim recognised in the current year. Refer to notes 22 and 30 for further details regarding this.

### 8d. Government grants

During the year the Company received government grants as part of the worldwide response to the COVID-19 pandemic from the UK Coronavirus Job Retention Scheme. In line with the accounting policy in note 5 these have been presented net within administrative expenses, specifically staff costs – wages and salaries. Total receipts in relation to the scheme during the year were £339k (2019: nil).

There are no unfulfilled conditions associated with receipts outstanding at the balance sheet date, nor were there any other forms of government assistance received during the year.

There were no receivables owing from the UK government in relation to the above scheme at the balance sheet date. Funds received in relation to the UK Coronavirus Job Retention Scheme have been repaid subsequent to the balance sheet date (see note 33 for further details).

## 9. FINANCE INCOME

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Bank interest | 2 | - |
| Net investment interest (see note 14) | 125 | 140 |
| | 127 | 140 |

## 10. FINANCE COSTS

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Bank interest | 38 | - |
| Interest on loan from parent entity | 61 | 35 |
| Lease liability interest (see note 14) | 623 | 695 |
| | 722 | 730 |

## 11. TAX CREDIT

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Current tax:** | | |
| Current year charge | 255 | 708 |
| Over provision in respect of prior years | (592) | (800) |
| | (337) | (92) |
| **Deferred tax (see note 20):** | | |
| Current year charge/(credit) | 416 | (846) |
| Under/(over) provision in respect of prior years | 665 | (620) |
| Effect of change in corporation tax rate on deferred tax balances | (44) | 88 |
| Total tax charge/(credit) for the year | 700 | (1,470) |

Corporation tax is calculated at 19.00% (2019: 19.00%) of the estimated taxable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. See note 20 for details regarding amendments to the UK corporation tax rate after the balance sheet date.

The total tax credit for the year can be reconciled to the loss in the statement of comprehensive income as follows:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Loss before tax on continuing operations | (10,959) | (5,428) |
| Tax at the UK corporation tax rate of 19.00% (2019: 19.00%) | (2,082) | (1,031) |
| Tax effect of expenses that are not deductible | 1,676 | 11 |
| Under/(over) provision in respect of prior years | 73 | (1,420) |
| Tax effect of Moneycorp Group relief given | 279 | 601 |
| Effect of change in corporation tax rate on deferred tax balances | (44) | 88 |
| Effect of lower tax rates of branches operating in other jurisdictions | (127) | (142) |
| Effect of deferred tax not recognised | 925 | 423 |
| Total tax charge/(credit) for the year | 700 | (1,470) |

## 12. GOODWILL AND OTHER INTANGIBLE ASSETS

| | Goodwill | Customer relation-ships | Computer software | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **At 1 January 2019** | | | | |
| Cost | 10,874 | 3,232 | 14,055 | 28,161 |
| Accumulated amortisation | - | (472) | (6,297) | (6,769) |
| Carrying amount | 10,874 | 2,760 | 7,758 | 21,392 |
| **Year ended 31 December 2019** | | | | |
| Opening carrying amount | 10,874 | 2,760 | 7,758 | 21,392 |
| Additions | - | - | 4,448 | 4,448 |
| Net disposals | - | - | - | |
| Amortisation charge | - | (640) | (3,409) | (4,049) |
| Closing carrying amount | 10,874 | 2,120 | 8,797 | 21,791 |
| **At 31 December 2019** | | | | |
| Cost | 10,874 | 3,232 | 18,503 | 32,609 |
| Accumulated amortisation | - | (1,112) | (9,706) | (10,818) |
| Carrying amount | 10,874 | 2,120 | 8,797 | 21,791 |
| **Year ended 31 December 2020** | | | | |
| Opening carrying amount | 10,874 | 2,120 | 8,797 | 21,791 |
| Additions | - | - | 3,961 | 3,961 |
| Net disposals | - | - | (26) | (26) |
| Amortisation charge | - | (527) | (3,367) | (3,894) |
| Closing carrying amount | 10,874 | 1,593 | 9,365 | 21,832 |
| **At 31 December 2020** | | | | |
| Cost | 10,874 | 3,232 | 22,438 | 36,544 |
| Accumulated amortisation | - | (1,639) | (13,073) | (14,712) |
| Carrying amount | 10,874 | 1,593 | 9,365 | 21,832 |

The Computer software carrying amount of £9,365k (2019: £8,797k) primarily comprises of internally generated software.

**Cash generating units**

The Company goodwill was acquired in 2018 as a result of the acquisition and hive-up of First Rate FX, a UK-based company.

This goodwill forms part of the Moneycorp Group international payments (IP) – UK CGU as this is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

In the prior year the goodwill formed part of the Moneycorp Group IP – UK/Europe CGU (which has now been separated into two for the Moneycorp Group) as a result of the migration of the European international payments business to MTL in Quarter 4 2020. This has led to a change in the internal structure of operations and internal reporting of the Moneycorp Group (making it easier to separately identify cash flows).

Whilst this has not resulted in a change to the number of CGUs for the Company, it has changed the composition of the CGU used to assess goodwill for impairment.

## 12. GOODWILL AND OTHER INTANGIBLE ASSETS – CONTINUED

**Allocation of goodwill to CGUs**
The carrying amount of goodwill held at the balance sheet date is allocated to CGUs as follows:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| International payments – UK | 10,874 | 10,874 |
| Total goodwill | 10,874 | 10,874 |

**Goodwill and intangible assets impairment review**
The recoverable amount for the IP – UK CGU was determined based on the higher of fair value less costs to sell (FVLCS) and value in use (VIU) estimations. The valuation is Level 3 in the fair value hierarchy (see note 19 for definitions).

The valuation of the CGU was based on the FVLCS methodology, with cross checks performed against the VIU valuation.

**FVLCS**
FVLCS is calculated using 2020 results and applying a multiple which reflects the stage of business, product lines and industry in which the CGU operates. The below multiple has been used:

- EBITDA multiple: used to value established businesses with historical and steady growth.

| *Key assumptions* | IP UK |
|---|---|
| Goodwill and other intangible assets £000 * | 106,748 |
| Multiple methodology | EBITDA |
| Multiple applied | 16.0 |

* The goodwill and other intangible assets above of £106,748k is the total for the IP UK CGU for the Moneycorp Group, of which £21,832k is held by the Company.

The multiple applied was obtained by referencing those of comparable companies (either via acquisition publications or from listed companies) in the international payments industry that are considered similar to the CGU.

***Sensitivity analysis***
A calculation was made for the level which would result in the carrying amount being equal to the recoverable amount as set out in the table below.

| | IP UK |
|---|---|
| Multiple methodology | EBITDA |
| Multiple in which the recoverable amount is equal to the carrying amount | 11.0 |

Based on the FVLCS assessment and VIU cross check, management believe there is sufficient headroom for the year ended 31 December 2020 for the CGU. This conclusion is supported by the sensitivity analysis, as the comparable multiple applied in the FVLCS assessment would need to decrease to that shown above before the carrying amount would be equal to the recoverable amount.

**2019 Goodwill and intangible assets impairment review**
For the 2019 impairment review, the IP – UK/Europe CGU (which has now been separated into two) was assessed and it was concluded that there was no impairment to recognise. The key assumptions and metrics for the impairment review in the prior year included the following:

| *FVLCS key assumptions* | IP UK/ Europe |
|---|---|
| Goodwill and other intangibles assets £000 * | 124,927 |
| Multiple methodology | EBITDA |
| Multiple applied | 16.0 |

* The goodwill and other intangible assets above of £124,927k is the total for the IP UK/Europe CGU for the Moneycorp Group, of which £21,791k is held by the Company.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold Properties £000 | Fixtures and fittings £000 | Computer equipment £000 | Finance leases £000 | Total £000 |
|---|---|---|---|---|---|
| **At 1 January 2019** | | | | | |
| Cost | 1,185 | 5,171 | 7,870 | 16 | 14,242 |
| Accumulated depreciation & impairment | (1,030) | (3,512) | (7,096) | (16) | (11,654) |
| Carrying amount | 155 | 1,659 | 774 | - | 2,588 |
| **Year ended 31 December 2019** | | | | | |
| Opening carrying amount | 155 | 1,659 | 774 | - | 2,588 |
| Additions | - | 3 | 113 | - | 116 |
| Depreciation charge | (4) | (314) | (426) | - | (744) |
| Closing carrying amount | 151 | 1,348 | 461 | - | 1,960 |
| **At 31 December 2019** | | | | | |
| Cost | 1,185 | 5,174 | 7,983 | - | 14,342 |
| Accumulated depreciation & impairment | (1,034) | (3,826) | (7,522) | - | (12,382) |
| Carrying amount | 151 | 1,348 | 461 | - | 1,960 |
| **Year ended 31 December 2020** | | | | | |
| Opening carrying amount | 151 | 1,348 | 461 | - | 1,960 |
| Additions | - | 42 | 138 | - | 180 |
| Depreciation charge | (4) | (257) | (208) | - | (469) |
| Closing carrying amount | 147 | 1,133 | 391 | - | 1,671 |
| **At 31 December 2020** | | | | | |
| Cost | 1,185 | 5,216 | 8,121 | - | 14,522 |
| Accumulated depreciation & impairment | (1,038) | (4,083) | (7,730) | - | (12,851) |
| Carrying amount | 147 | 1,133 | 391 | - | 1,671 |

The finance leases related to ATM machines which were reclassified as a right-of-use asset in 2019 as a result of the adoption of IFRS 16.

## 14. LEASES

### 14a. Amount recognised on the balance sheet

The balance sheet shows the following amounts relating to leases:

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

| | Buildings £000 | ATMs £000 | Total £000 |
|---|---|---|---|
| **At 1 January 2019** | | | |
| Cost | 9,118 | 16 | 9,134 |
| Accumulated depreciation | - | (16) | (16) |
| Carrying amount | 9,118 | - | 9,118 |
| **Year ended 31 December 2019** | | | |
| Opening carrying amount | 9,118 | - | 9,118 |
| Net disposals | - | - | - |
| Depreciation charge | (1,079) | - | (1,079) |
| Closing carrying amount | 8,039 | - | 8,039 |
| **At 31 December 2019** | | | |
| Cost | 9,118 | 16 | 9,134 |
| Accumulated depreciation | (1,079) | (16) | (1,095) |
| Carrying amount | 8,039 | - | 8,039 |
| **Year ended 31 December 2020** | | | |
| Opening carrying amount | 8,039 | - | 8,039 |
| Net disposals | - | - | - |
| Depreciation charge | (1,081) | - | (1,081) |
| Closing carrying amount | 6,958 | - | 6,958 |
| **At 31 December 2020** | | | |
| Cost | 9,036 | - | 9,036 |
| Accumulated depreciation | (2,078) | - | (2,078) |
| Carrying amount | 6,958 | - | 6,958 |

***Net investment receivable***

A net investment receivable has been recognised in relation to the sublease of property where the Company holds the head lease on the balance sheet as a lease liability.

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Non-current | 1,868 | 2,155 |
| Current | 287 | 272 |
| | 2,155 | 2,427 |

| ***Lease liabilities*** | 2020 £000 | 2019 £000 |
|---|---|---|
| Non-current | 9,268 | 10,688 |
| Current | 1,430 | 1,392 |
| | 10,698 | 12,080 |

## 14. LEASES - CONTINUED

### 14b. Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| *Recognised in administrative expenses (see note 8):* | | |
| Depreciation charge on right-of-use assets | (1,081) | (1,079) |
| Expense relating to short-term leases | (69) | (260) |
| | (1,150) | (1,339) |
| *Recognised in finance income (see note 9):* | | |
| Net investment interest income | 125 | 140 |
| | 125 | 140 |
| *Recognised in finance costs (see note 10):* | | |
| Lease liability interest expense | (623) | (695) |
| | (623) | (695) |

## 15. INVESTMENT IN SUBSIDIARIES

The Company is a parent company of a number of subsidiaries which operate and are incorporated in various locations globally.

The investments in subsidiaries are all stated at cost less impairment.

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Carrying amount of investment in subsidiaries** | | |
| Moneycorp SLU | 2 | 2 |
| TTT Moneycorp Pty Limited | - | - |
| Moneycorp Brasil Participacoes Ltda | 4,188 | 3,862 |
| First Rate FX Limited | 1,592 | 1,592 |
| | 5,782 | 5,456 |

### 15a. Information about individual investments in subsidiaries

Information about the direct subsidiaries of the Company at the balance sheet date are set out below. The country of incorporation or registration is also their principal place of business.

There are no significant restrictions on the ability of the Company to access or use assets and settle liabilities of its subsidiaries, other than client held funds.

| Name of entity | Place of incorporation (or registration) | Principal activity | Proportion of ownership interest and voting power held 2020 | 2019 |
|---|---|---|---|---|
| Moneycorp SLU | Spain | Dormant * | 100% | 100% |
| TTT Moneycorp Pty Limited | Australia | Foreign exchange provider | 100% | 100% |
| Moneycorp Brasil Participacoes Ltda | Brazil | Investment holding | 100% | 100% |
| First Rate FX Limited | UK | Dormant | 100% | 100% |

* Moneycorp SLU previously had a principal activity of introducing broker however following the migration of European clients and business to Moneycorp Technologies Limited (Ireland) in Quarter 4 2020, this company is now dormant.

### 15b. Movements in investments in subsidiaries

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Carrying amount at 1 January** | 5,456 | 4,183 |
| Acquisitions | 326 | 2,888 |
| Write-down of investment in subsidiary | - | (1,615) |
| **Carrying amount at 31 December** | 5,782 | 5,456 |

### 15. INVESTMENT IN SUBSIDIARIES - CONTINUED

**15b. Movements in investments in subsidiaries – continued**

***Acquisitions***

*Moneycorp Brasil Participacoes Ltda*

Additional share capital of R$2,442k (£326k) was issued by Moneycorp Brasil Participacoes Ltda to the Company during the year. This was primarily passed through to Moneycorp Banco de Câmbio S.A., a Brazilian foreign exchange business.

***Impairment assessment***

Management assessed the investments held by the Company for impairment at the balance sheet date. The future projected growth and current net assets of the investment businesses showed the enterprise value to be greater than the carrying amount of the investments held and thus the investments were not considered to be impaired.

**15c. Indirect investment in subsidiaries**

The Company is also the intermediate parent entity of the following subsidiaries at the balance sheet date:

| Name of entity | Place of incorporation (or registration) | Principal activity | Proportion of ownership interest and voting power held 2020 | 2019 |
|---|---|---|---|---|
| Rochford Capital Pty Limited | Australia | Advisory services | 100% | 100% |
| Novo Mundo Holding Financeira S/A | Brazil | Investment holding | 92.3% | 90% |
| Moneycorp Banco de Câmbio S.A. | Brazil | Foreign exchange provider | 92.3% | 90% |

### 16. FINANCIAL ASSETS AND LIABILITIES

**Categories of financial instruments**

| | 2020 £000 | 2019 Restated* £000 |
|---|---|---|
| **Financial assets** | | |
| *Financial assets at amortised cost* | | |
| Cash and cash equivalents | 281,041 | 348,325 |
| Trade and other receivables | 114,544 | 100,242 |
| Net investment receivable | 2,155 | 2,427 |
| *Financial assets at fair value through profit or loss* | | |
| Derivative financial instruments held for trading | 72,852 | 81,636 |
| | 470,592 | 532,630 |
| **Financial liabilities** | | |
| *Financial liabilities at amortised cost* | | |
| Trade and other payables | (374,176) | (417,734) |
| Borrowings | (1,401) | (2,182) |
| Lease liabilities | (10,698) | (12,080) |
| *Financial liabilities at fair value through profit or loss* | | |
| Derivative financial instruments held for trading | (68,425) | (73,661) |
| | (454,700) | (505,657) |

* See note 2 for details regarding the restatement as a result of the change in presentation of overdrawn bank balances.

The Directors consider that the carrying amounts of financial assets and financial liabilities, recorded at amortised cost in the financial statements, approximate their fair values.

## 17. CASH AND CASH EQUIVALENTS

| | 2020 £000 | 2019 Restated* £000 |
|---|---|---|
| Company cash and bank balances | 2,313 | 2,543 |
| Client held funds | 278,728 | 345,782 |
| | 281,041 | 348,325 |

* See note 2 for details regarding the restatement as a result of the change in presentation of overdrawn bank balances.

**Reconciliation to the statement of cash flows**

Bank overdrafts form an integral part of the Company's cash management. As such, bank overdrafts are included as a component of cash and cash equivalents for the purposes of the statement of cash flows. The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as following:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Cash and cash equivalents (balance as above) | 281,041 | 348,325 |
| Bank overdraft (see note 23) | (181) | (1,023) |
| | 280,860 | 347,302 |

**Restricted cash**

The Company is regulated by the Financial Conduct Authority (FCA). The Company holds client held funds with external banks at the balance sheet date under the Payment Services Directive (PSD) and is required to keep these funds in a client safeguarding account. These funds are held on balance sheet for financial statement purposes. As these funds are subject to regulatory restrictions and held in segregated accounts for the benefit of clients, they are not available for general use by the Company.

## 18. TRADE AND OTHER RECEIVABLES

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade receivables | 2,931 | 2,052 |
| Loss allowance (see note 27) | (1,314) | (1,045) |
| | 1,617 | 1,007 |
| Related party receivables (see note 31) | 112,845 | 98,221 |
| Other debtors | 82 | 1,014 |
| | 114,544 | 100,242 |

Included in the other debtors balance is nil funds in dispute (2019: £933k). See note 30 for further details.

## 19. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial assets is calculated as the mark to market (MTM) less any credit valuation adjustments (CVA) to reflect counterparty credit risk. The fair value of the derivative financial liabilities is calculated as the MTM less any debit valuation adjustments (DVA).

The MTM of the foreign currency forwards and options are provided by an external valuation company and discussed further under the fair value hierarchy below.

The Company carries out an internal credit assessment of each counterparty prior to entering into a trading relationship, performed by the Moneycorp Group Credit Department. The grading scale that the Company uses ranges from credit grade 1 (investment grade equivalent, being the least risky) to credit grade 7 (in essence an entity which appears failed, being the most risky). In order to calculate the CVA for derivative financial assets a default rate is assigned to each credit rating.

### 19. DERIVATIVE FINANCIAL INSTRUMENTS - CONTINUED

Whilst the Company has not carried out an exercise in allocating a credit rating using credit rating agencies, both an expected credit grading and default rate have been estimated based on management experience and judgement. These estimates are used to adjust the derivative asset value in order to take into account the credit risk of the counterparty.

For certain clients, the Company requires collateral to be posted when their positions are out of the money above a certain tolerance level. Where the Company is holding collateral from a client, those funds are deducted from the derivative financial asset exposure before the CVA is calculated.

Similarly a DVA is applied to the derivative financial liabilities to reflect the risk of the Company defaulting on the balance payable to the counterparty. This default rate has been estimated by management based on an expected credit grading that would be assigned to the Company, and then applying a corresponding default rate to that grading using credit rating agencies as a guide.

| **Un-adjusted forwards MTM (excluding CVA and DVA)** | **2020** | **2019** |
|---|---|---|
| | **£000** | **£000** |
| **Financial assets** | | |
| Foreign currency forward contracts | 59,396 | 66,163 |
| Foreign currency option contracts | 14,026 | 16,071 |
| **Total financial assets** | 73,422 | 82,234 |
| | | |
| **Financial liabilities** | | |
| Foreign currency forward contracts | (55,600) | (60,582) |
| Foreign currency option contracts | (14,026) | (16,071) |
| **Total financial liabilities** | (69,626) | (76,653) |

| **Adjusted fair value (as presented on the balance sheet)** | **2020** | **2019** |
|---|---|---|
| | **£000** | **£000** |
| **Financial assets** | | |
| Foreign currency forward contracts | 58,872 | 65,565 |
| Foreign currency option contracts | 13,980 | 16,071 |
| **Total financial assets** | 72,852 | 81,636 |
| | | |
| **Financial liabilities** | | |
| Foreign currency forward contracts | (54,445) | (58,159) |
| Foreign currency option contracts | (13,980) | (15,502) |
| **Total financial liabilities** | (68,425) | (73,661) |

***Fair value hierarchy***

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Levels are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The value of foreign currency forward contracts are determined using observable forward exchange rates and contract forward rates, adjusted to take into account the credit risk of the counterparty.

## 19. DERIVATIVE FINANCIAL INSTRUMENTS - CONTINUED

***Fair value hierarchy - continued***

Foreign currency options are valued using a range of market standard valuation models. The model and methodology used is dependent on the type of option product. The key inputs are:

- underlying value of the currency;
- strike price;
- time to expiration;
- volatility of underlying asset; and
- risk free rate.

The foreign currency option valuations are then adjusted to take into account the credit risk of the counterparty.

| | 2020 | | | |
|---|---|---|---|---|
| | **Level 1 £000** | **Level 2 £000** | **Level 3 £000** | **Total £000** |
| **Financial assets** | | | | |
| Foreign currency forward contracts | - | 58,872 | - | 58,872 |
| Foreign currency option contracts | - | 13,980 | - | 13,980 |
| **Total** | - | 72,852 | - | 72,852 |
| **Financial liabilities** | | | | |
| Foreign currency forward contracts | - | (54,445) | - | (54,445) |
| Foreign currency option contracts | - | (13,980) | - | (13,980) |
| **Total** | - | (68,425) | - | (68,425) |

| | 2019 | | | |
|---|---|---|---|---|
| | **Level 1 £000** | **Level 2 £000** | **Level 3 £000** | **Total £000** |
| **Financial assets** | | | | |
| Foreign currency forward contracts | - | 65,565 | - | 65,565 |
| Foreign currency option contracts | - | 16,071 | - | 16,071 |
| **Total** | - | 81,636 | - | 81,636 |
| **Financial liabilities** | | | | |
| Foreign currency forward contracts | - | (58,159) | - | (58,159) |
| Foreign currency option contracts | - | (15,502) | - | (15,502) |
| **Total** | - | (73,661) | - | (73,661) |

There were no transfers between levels in the current or prior years.

## 20. DEFERRED TAX ASSET

Deferred tax reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table shows the movement in deferred tax liabilities and assets recognised by the Company during the current and prior reporting year.

| | **2020 £000** | **2019 £000** |
|---|---|---|
| **Balance at the beginning of the year** | 1,037 | (341) |
| (Charge)/credit to the statement of comprehensive income | (416) | 846 |
| (Under)/over provision in respect of prior years | (665) | 620 |
| Effect of change in tax rate charge | 44 | (88) |
| **Balance at the end of the year** | - | 1,037 |

## 20. DEFERRED TAX ASSET - CONTINUED

The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Deferred tax liabilities:** | | |
| Customer relationships timing differences | (303) | (524) |
| Revaluation of financial assets | (85) | (95) |
| | (388) | (619) |
| **Deferred tax assets:** | | |
| Fixed asset timing differences | 388 | 1,656 |
| | 388 | 1,656 |
| **Net deferred tax asset** | - | 1,037 |

On 11 March 2020 it was announced (and received Royal assent on 22 July 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate from 1 April 2020).

On 3 March 2021, it was announced that from 1 April 2023, the main rate of corporation tax will increase to 25%. As this new law has not been substantively enacted at the balance sheet date, its effects are not included in the financial statements. The deferred tax balances included within the financial statements have been calculated with reference to the rate of 19% in accordance with IFRS.

If the change in rate to 25% had been enacted before the balance sheet date the impact on the Company's deferred tax balances would have been an increase in assets of £123k and an increase in liabilities of £123k.

A deferred tax asset of £925k (2019: nil) has not been recognised by the Company in respect of gross deductible temporary differences and gross tax losses of £4,874k (2019: nil) and can be carried forward indefinitely.

## 21. TRADE AND OTHER PAYABLES

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Client held funds | 266,411 | 351,103 |
| Related party payables (see note 31) | 95,237 | 57,280 |
| Accruals | 7,073 | 6,777 |
| Trade payables | 2,518 | 733 |
| Employee related payables | 970 | 1,044 |
| Other payables | 1,967 | 797 |
| | 374,176 | 417,734 |

The movement in client held funds largely relates to the transfer of client balances from the Company to MTL, other related party, during the year. Refer to note 1 for further details.

Related party payables relate to balances owing to various other Moneycorp Group entities (see note 31 for further details), and are unsecured, non-interest bearing and repayable on demand with no fixed date of repayment.

For most suppliers, no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Included in other payables is £1,500k outstanding for the final settlement of a litigation case closed during the year (2019: nil). In the prior year all liabilities related to the case were included within provisions on the balance sheet. Refer to noted 22 and 30 for further details.

## 22. PROVISIONS

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Legal claims | - | 2,683 |
| | - | 2,683 |

### 22a. Information about individual provisions and significant estimates

*Legal claim - First Rate FX Limited*

In 2018 a provision arose in relation to the earn-out payable for the acquisition of First Rate FX Limited (acquired in January 2018). This, along with other completion considerations, was still under negotiation during 2019 with the provision recognised reflecting the Directors' best estimate of the most likely outcome of the legal dispute. This has been further updated during the year with a final settlement agreed in December 2020. Given there is no longer any uncertainty in regards to the timing or amount of the settlement the provision has been fully utilised at the balance sheet date. Refer to note 30 for further details.

### 22b. Movements in provisions

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Carrying amount at the start of the year | 2,683 | 1,486 |
| Charged to profit or loss | 1,643 | 1,197 |
| Amounts used during the year | (4,326) | - |
| Carrying amount at the end of the year | - | 2,683 |

## 23. BORROWINGS

| | 2020 £000 | 2019 Restated* £000 |
|---|---|---|
| **Non-current** | | |
| Related party loan | 1,220 | 1,159 |
| **Total non-current** | 1,220 | 1,159 |
| **Current** | | |
| Company overdrawn bank accounts | 165 | 43 |
| Client overdrawn deposit accounts | 16 | 980 |
| **Total current** | 181 | 1,023 |
| **Total borrowings** | 1,401 | 2,182 |

* See note 2 for details regarding the restatement as a result of the change in presentation of overdrawn bank balances.

***Related party loan***

The Company has a loan owning to its parent company, Regent Acquisitions (Holdings) Limited, at the balance sheet date. The loan was issued in November 2013 for an initial sum of £4,750k. The loan is unsecured and has a maturity date of 31 December 2024. An interest rate of 12% is charged on the loan.

***Client overdrawn deposit accounts***

The Company holds client held funds with external banks. These accounts are usually in funds, however they may become overdrawn temporarily due to timing differences when funds are transferred between accounts. This generally arises because the Company holds multiple accounts per currency which cannot always be transferred on the same day value. Refer to note 17 for further details.

## 24. DEFINED CONTRIBUTION PENSION PLAN

The Company has a defined contribution pension scheme that covers employees whose length of service is at least three months. Allocations to individual employees are based on the salary level of the employee and employer contribution. At 31 December 2020 the Company had a liability of approximately £42k (31 December 2019: £42k), included in trade and other payables in the accompanying balance sheet, related to the pension scheme. During the year the Company made contributions to the scheme on behalf of key management personnel of £18k (2019: £9k).

## 25. SHARE CAPITAL

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Authorised:** | | |
| 350,000 (2019: 350,000) ordinary shares of £1 each | 350 | 350 |
| **Issued and fully paid:** | | |
| 350,000 (2019: 350,000) ordinary shares of £1 each | 350 | 350 |

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

## 26. NOTES TO THE STATEMENT OF CASH FLOWS

| 26a. Net cash generated from/(used in) operations | 2020 £000 | 2019 £000 |
|---|---|---|
| **Operating loss** | (10,364) | (4,838) |
| **Adjustment for non-cash items:** | | |
| Amortisation of intangible assets | 3,894 | 4,049 |
| Depreciation of property, plant and equipment | 469 | 744 |
| Depreciation of right-of-use asset | 1,081 | 1,079 |
| Loss on disposal of intangible assets | 26 | - |
| Net exchange differences | (3,053) | 8,644 |
| Write-down of investment in subsidiary | - | 1,615 |
| | (7,947) | 11,293 |
| **Movements in working capital:** | | |
| Increase in trade and other receivables | (14,302) | (15,866) |
| Increase in prepayments | (94) | (81) |
| Decrease/(increase) in derivative financial instrument assets | 8,784 | (32,022) |
| Increase/(decrease) in trade and other payables | 123,557 | (3,514) |
| (Decrease)/increase in provisions | (2,683) | 1,197 |
| (Decrease)/increase in derivative financial instrument liabilities | (5,236) | 31,523 |
| **Net cash generated from/(used in) operations** | 102,079 | (7,470) |

### 26. NOTES TO THE STATEMENT OF CASH FLOWS - CONTINUED

#### 26b. Net cash reconciliation

| | Cash (excluding client held funds) £000 | Liabilities from financing activities: Lease liabilities £000 | Liabilities from financing activities: Borrowings £000 | Total £000 |
|---|---|---|---|---|
| **Opening balance at 1 January 2019** | 1,763 | (13,429) | (1,124) | (12,790) |
| Cash flows | 1,123 | 2,029 | - | 3,152 |
| Foreign exchange adjustments | (386) | 15 | - | (371) |
| Other changes * | - | (695) | (35) | (730) |
| **Net cash as at 31 December 2019** | 2,500 | (12,080) | (1,159) | (10,739) |
| **Opening balance at 1 January 2020** | 2,500 | (12,080) | (1,159) | (10,739) |
| Cash flows | (408) | 2,021 | - | 1,613 |
| Foreign exchange adjustments | 56 | (16) | - | 40 |
| Other changes * | - | (623) | (61) | (684) |
| **Net debt as at 31 December 2020** | 2,148 | (10,698) | (1,220) | (9,770) |

* Other changes include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows.

#### *26c. Effects of exchange rate changes on cash and cash equivalents*

The effects of exchange rate changes presented in the statement of cash flows relates to all cash and cash equivalent balances as detailed in note 17, including client held funds. A liability is also held on the balance sheet within trade and other payables for client held funds (see note 21) and as such, a large portion of the effects of exchange rates changes on cash and cash equivalents will be offset by exchange rate movements on the liability balance.

### 27. FINANCIAL RISK MANAGEMENT

#### Financial risk management objectives

The main risks arising from the Company's financial instruments are market risk (including foreign currency and interest rate risks), credit risk and liquidity risk. The Board approves prudent treasury policies for managing each of the risks which are summarised below.

#### 27a. Market risk management

The Company's business activities primarily involve brokering regulated derivative contracts, specifically foreign currency forwards and foreign currency options to clients, and entering back to back arrangements with vendors. The back to back nature of the transactions eliminates exchange rate risk for the Company and means the financial exposure is limited to client credit risk.

The Company has considered other risks including market risk (currency risk, interest rate risk and price risk), liquidity risk and cash flow interest rate risk. Any change in foreign currency risk for a given client contract will be mitigated by an offset in the corresponding back to back contract arrangement.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The sensitivity to market risk in relation to derivative financial instruments is therefore immaterial.

### 27. FINANCIAL RISK MANAGEMENT - CONTINUED

**27a. Market risk management - continued**

***Foreign currency risk management***

The Company undertakes derivative transactions denominated in foreign currencies, however is not consequently exposed to exchange rate fluctuations. All exchange rate fluctuations between the Company and the client are economically hedged through a corresponding movement in the contract entered into with the vendor.

The Company maintains bank balances in a number of currencies, including client held funds, and is therefore exposed to movements in foreign exchange rates on these balances. For client held funds however, these are largely offset by movements in the corresponding liability (see note 26c for further details).

| Currency | 2020 £000 | 2019 £000 |
|---|---|---|
| United States dollar (USD) | 98,697 | 75,529 |
| Euro (EUR) | 68,318 | 155,213 |
| Australian dollar (AUD) | 5,533 | 5,106 |
| Canadian dollar (CAD) | 3,273 | 4,651 |
| Swiss franc (CHF) | 2,592 | 1,628 |
| South African rand (ZAR) | 1,796 | 1,154 |
| United Arab Emirates dirham (AED) | 1,580 | 2,200 |
| Singapore dollar (SGD) | 825 | 383 |
| Norwegian krone (NOK) | 789 | 695 |
| Hungarian forint (HUF) | 781 | 260 |
| Danish krone (DKK) | 636 | 613 |
| New Zealand dollar (NZD) | 552 | 1,131 |
| Polish zloty (PLN) | 459 | 381 |
| Swedish krona (SEK) | 437 | 1,116 |
| Romanian leu (RON) | 388 | 782 |
| Japanese yen (JPY) | 381 | 659 |
| Moroccan dirham (MAD) | 365 | 148 |
| Israeli new shekel (ILS) | 334 | 115 |
| Eastern Caribbean dollar (XCD) | 316 | 3 |
| Hong Kong dollar (HKD) | 308 | 4,277 |
| Indian rupee (INR) | 232 | 143 |
| Saudi riyal (SAR) | 231 | 510 |
| Chinese yuan (CNY) | 228 | 803 |
| Thai baht (THB) | 166 | 171 |
| Trinidad and Tobago dollar (TTD) | 118 | 7 |
| Barbadian dollar (BBD) | 112 | 6 |
| Mexican peso (MXN) | 48 | 1,451 |
| Bahraini dinar (BHD) | 64 | 492 |
| Kuwaiti dinar (KWD) | (8) | 468 |
| Qatari riyal (QAR) | 86 | 397 |
| Turkish lira (TRY) | 90 | 128 |
| Russian ruble (RUB) | 35 | 125 |
| Chinese yuan (CNH) | 89 | (710) |
| Other foreign currencies (individual balances less than £100k) | 312 | 406 |
| **Total foreign currency risk** | 190,163 | 260,441 |

At 31 December 2020, if the GBP had weakened by 5% against the above currencies with all other variables held constant, the recalculated post-tax results for the year would have been £10,009k (2019: £13,707k) higher. Conversely a 5% strengthening of GBP would have resulted in the post-tax results being £9,055k (2019: £12,402k) lower.

Exchange rate exposures are managed within approved policy parameters utilising hedging.

## 27. FINANCIAL RISK MANAGEMENT - CONTINUED

### 27a. Market risk management – continued

***Interest rate risk management***

The Company has intercompany borrowings from Regent Acquisition (Holdings) Limited, parent company, of £1,220k (2019: £1,159k) secured at a 12% fixed rate. Any interest payable on trade and other payables is not material as payments are made within agreed credit terms. The Company is therefore not exposed to any material interest rate risk.

***Other price risks***

The Company is not exposed to any other material price risks.

### 27b. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company does provide a limited amount of credit to its clients and credit exposures can arise, normally for a short period of time, as the Company depends on its clients to pay for monies and services provided and to honour their contractual obligations on foreign exchange contracts. All material credit exposures require approval by the Moneycorp Group Credit Committee comprising individuals independent of business revenue generation. Credit exposures are monitored regularly against approved risk limits, with client margins called for where appropriate.

For certain clients the Company requires collateral to be posted when their positions are out of the money above a certain tolerance level. The collateral held is recorded within cash and cash equivalents – client held funds (refer to note 17 for further details).

***Credit risk for financial assets at amortised cost***

The Company has two types of financial assets that are subject to the expected credit loss (ECL) model:

- Cash and cash equivalent; and
- Trade and other receivables.

Cash and cash equivalents are held with a number of reputable credit institutions, therefore the ECL is immaterial.

For trade and other receivables an ECL has been calculated in line with the simplified approach outlined in the accounting policy in note 5, which uses a lifetime expected loss allowance. To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles over a period of 24 months before the balance sheet date and the corresponding historical credit losses experienced over this period.

The historical loss rates are adjusted to reflect current and forward-looking information, which is both reasonable and supportable, taking into account macroeconomic factors affecting the ability of the clients to settle the receivables. After careful consideration it has been determined that no adjustments for forward looking considerations were required as at 31 December 2020 (2019: nil).

Based on historical recovery rates for international payment receivables, the loss allowance as at 31 December 2020 was determined as 1.20% for anything aged less than 30 days (2019: 0.62%). Anything aged greater than 60 days becomes highly unlikely to be recovered based on the general 2-3 day turn around cycle between trade maturity and settlement and therefore 100% ECL has been applied to this category. For anything between these aging categories 50% has been applied.

All related party receivables are deemed fully recoverable.

The loss allowances for trade and other receivables at the balance sheet date can be reconciled to the opening loss allowances as follows:

| | 2020<br>£000 | 2019<br>£000 |
|---|---|---|
| Opening ECL provision | 1,045 | 251 |
| Increase in loss allowance recognised in profit or loss during the year | 447 | 956 |
| Receivables written off during the year as uncollectible | (178) | (162) |
| Closing ECL provision | 1,314 | 1,045 |

## 27. FINANCIAL RISK MANAGEMENT - CONTINUED

### 27b. Credit risk management - continued

***Credit risk for financial assets at amortised cost – continued***

The increase in loss allowance during the year can be reconciled to the net impairment losses on financial assets presented within administrative expenses (see note 8).

Included in the loss allowance recognised in 2019 is £840k related to one international payment client balance aged greater than 60 days which has had a 100% ECL applied in line with the above methodology.

***Credit quality***

In the absence of external credit ratings, the credit quality of financial assets are assessed by management taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal limits set by the Board. There are no significant concentrations of credit risk, whether through exposure to individual clients, specific industry sectors and/or regions.

The Company carries out a credit assessment of each counterparty prior to entering into a trading relationship. These assessments are carried out internally and each counterparty is given a grading. The grading scale that the Company uses ranges from credit grade 1 (investment grade equivalent, being the least risky) to credit grade 7 (in essence an entity which appears failed, being the most risky).

The below table discloses the exposure the Company has for each credit grade.

| **Derivative financial assets** | **2020** | | |
|---|---|---|---|
| | **Forward contracts £000** | **Option contracts £000** | **Total £000** |
| *Counterparties internal credit rating:* | | | |
| Credit grade 7 | - | - | - |
| Credit grade 6 | 818 | - | 818 |
| Credit grade 5 | 5,405 | - | 5,405 |
| Credit grade 4 | 1,925 | - | 1,925 |
| Credit grade 3 | 645 | - | 645 |
| Credit grade 2 | - | - | - |
| Credit grade 1 | - | - | - |
| Credit grade - other* | 7,964 | 1,787 | 9,751 |
| | 16,757 | 1,787 | 18,544 |
| *Counterparties with external credit ratings* | 42,115 | 12,193 | 54,308 |
| Total derivative financial assets | 58,872 | 13,980 | 72,852 |

| | **2019** | | |
|---|---|---|---|
| | **Forward contracts £000** | **Option contracts £000** | **Total £000** |
| *Counterparties internal credit rating:* | | | |
| Credit grade 7 | - | - | - |
| Credit grade 6 | 777 | - | 777 |
| Credit grade 5 | 6,639 | - | 6,639 |
| Credit grade 4 | 2,572 | - | 2,572 |
| Credit grade 3 | 1,403 | - | 1,403 |
| Credit grade 2 | - | - | - |
| Credit grade 1 | 340 | - | 340 |
| Credit grade - other* | 6,460 | 14,209 | 20,669 |
| | 18,191 | 14,209 | 32,400 |
| *Counterparties with external credit ratings* | 47,374 | 1,862 | 49,236 |
| Total derivative financial assets | 65,565 | 16,071 | 81,636 |

*The 'other' grouping contains all smaller counterparties, including private clients and small companies, and other Moneycorp Group related parties, where an average credit adjustment has been applied.

## 27. FINANCIAL RISK MANAGEMENT - CONTINUED

### 27c. Liquidity risk management

The settlement of spot, forward and option contracts, and other short term working capital requirements, necessitates adequate liquidity which is generated through intra-day settlement facilities. These facilities are provided through financial institutions with which the Company has a long trading history. Additionally there is a wider Moneycorp Group financing facility available, including a committed revolving facility to provide short term liquidity, which the Company has access to if required. Liquidity and cash is managed on a daily basis by the Moneycorp Group Treasury team. The Company seeks to manage this risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

***Liquidity risk tables***

The following tables detail the maturity profile of the Company's remaining contractual financial liabilities with agreed repayment periods, excluding derivative financial liabilities assessed separately. The tables have been drawn up based on the undiscounted cash flows of financial liabilities at the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. For all financial liabilities the expected maturities are the same as the contractual maturities.

| | Within 1 year £000 | 1-2 years £000 | 2-5 years £000 | 5+ years £000 | Total £000 |
|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | |
| Borrowing principal and interest payments: | | | | | |
| - Related party loan | - | - | 1,359 | - | 1,359 |
| - Bank overdrafts | 181 | - | - | - | 181 |
| Lease liabilities | 1,976 | 1,976 | 5,888 | 2,882 | 12,722 |
| Trade and other payables | 374,176 | - | - | - | 374,176 |
| | 376,333 | 1,976 | 7,247 | 2,882 | 388,438 |
| **At 31 December 2019 (restated*)** | | | | | |
| Borrowing principal and interest payments: | | | | | |
| - Related party loan | - | - | 1,359 | - | 1,359 |
| - Bank overdrafts | 1,023 | - | - | - | 1,023 |
| Lease liabilities | 2,014 | 1,974 | 5,781 | 4,817 | 14,586 |
| Trade and other payables | 417,734 | - | - | - | 417,734 |
| | 420,771 | 1,974 | 7,140 | 4,817 | 434,702 |

* See note 2 for details regarding the restatement as a result of the change in presentation of overdrawn bank balances.

The following tables detail the Company's liquidity analysis for its derivative financial instruments based on contractual maturities. Brokering derivative contracts, specifically foreign currency forwards and foreign currency options, involves entering back-to-back contracts with the client and vendor. The back-to-back nature of the transactions means that for each trade there is a cash outflow in one currency and a corresponding cash inflow in the same currency and as such it would be inappropriate to present only the liability positions. Foreign exchange options are fully back-to-back and therefore there is no net settlement value.

| **Assets** | Within 1 year £000 | 1-2 years £000 | 2-5 years £000 | 5+ years £000 | Total £000 |
|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | |
| Foreign exchange forwards | 51,481 | 6,730 | 543 | 118 | 58,872 |
| Foreign exchange options | 10,228 | 3,464 | 176 | 112 | 13,980 |
| | 61,709 | 10,194 | 719 | 230 | 72,852 |
| **At 31 December 2019** | | | | | |
| Foreign exchange forwards | 58,707 | 6,245 | 613 | - | 65,565 |
| Foreign exchange options | 9,060 | 6,359 | 377 | 275 | 16,071 |
| | 67,767 | 12,604 | 990 | 275 | 81,636 |

**27. FINANCIAL RISK MANAGEMENT - CONTINUED**

**27c. Liquidity risk management – continued**
***Liquidity risk tables - continued***

| Liabilities | Within 1 year £000 | 1-2 years £000 | 2-5 years £000 | 5+ years £000 | Total £000 |
|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | |
| Foreign exchange forwards | (48,423) | (5,427) | (499) | (96) | (54,445) |
| Foreign exchange options | (10,228) | (3,464) | (176) | (112) | (13,980) |
| | (58,651) | (8,891) | (675) | (208) | (68,425) |
| **At 31 December 2019** | | | | | |
| Foreign exchange forwards | (52,228) | (5,436) | (495) | - | (58,159) |
| Foreign exchange options | (8,752) | (6,109) | (377) | (264) | (15,502) |
| | (60,980) | (11,545) | (872) | (264) | (73,661) |

**28. CAPITAL RISK MANAGEMENT**

Capital risk is the risk that the Company has an insufficient level or composition of capital to support the Company's business activities and associated risks during both normal economic environments and under stressed conditions. The capital risk management objective for the Company is to maintain sufficient capital after debt servicing to enable it to continue as a going concern while maximising returns to shareholders.

The capital structure of the Company consists of net debt (as disclosed in note 26b) and equity comprising of issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Company is regulated by the FCA under the PSD and is required to keep an appropriate amount of client funds in client safeguarding accounts.

The Company is not subject to any externally imposed capital requirements.

**29. COMMITMENTS AND CONTINGENT LIABILITIES**

**29a. Operating lease arrangements**
The Company leases office space as a lessee under a non-cancellable operating lease. From 1 January 2019 the Company assesses whether a contract is, or contains, a lease under IFRS 16 and if so subsequently recognises a right-of-use asset and a corresponding lease liability. See notes 5 and 14 for further details. The below represents the lease expense recognised during the year, and outstanding commitments for future minimum lease payments under non-cancellable operating leases, for leases which do not meet the criteria to be recognised on the balance sheet in line with IFRS 16, or are short term in nature.

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Lease payments under operating leases recognised as an expense in the year | 69 | 260 |

At the balance sheet date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, outside of those already recognised on the balance sheet as a lease liability, which fall due as follows:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Within one year | 10 | 14 |
| | 10 | 14 |

## 29. COMMITMENTS AND CONTINGENT LIABILITIES - CONTINUED

### 29b. Capital commitments

Significant capital expenditure contracted for at the balance sheet date but not recognised as liabilities is as follows:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Intangible assets | 2,290 | 594 |

### 29c. Other commitments and contingent liabilities

Other than the commitments above, the Company has no financial commitments or contingent liabilities outside of liabilities presented on the face of the balance sheet at the balance sheet date (2019: nil).

## 30. LITIGATION AND CLAIMS

*Legal claim - First Rate FX Limited*

Following the acquisition of First Rate FX Limited in January 2018, the Company was unable to establish completeness over the client money balances held by the company. The Company used its own house cash to cover the shortfall in June 2018 and subsequently recognised a receivable from the former shareholders of First Rate FX Limited in relation to this of £933k (see note 18). During the year an expert determination was unable to conclude if a client money shortfall existed when First Rate FX Limited was acquired. As such the receivable has been written off during the year.

Two of the former shareholders of First Rate FX Limited had lodged a claim for unfair dismissal against the Company (their former employer), with a provision being recognised on the balance sheet whilst the claim was on-going.

In December 2020 a final settlement amount of £4,326k was agreed between the relevant parties to settle all disputed matters. £2,826k has been paid during the year towards the final settlement. The remaining amount outstanding at year end has been recognised within trade and other payables (see note 21).

The Company was not part of any other legal proceeding during the reporting year.

## 31. RELATED PARTY BALANCES AND TRANSACTIONS

### 31a. Trading transactions

Commission revenue earned on traded derivative contracts from related parties is disclosed in note 7. Balances relating to management charges are disclosed below in note 31d.

As detailed in note 1, during the year the Company transferred the trade and associated balances relating to its European business to MTL, other related company, for a consideration equal to the carrying amounts of the assets and liabilities transferred. No gain or loss was recognised upon the transfer.

Trade receivable and trade payable balances held with related parties at the balance sheet date are disclosed in notes 18 and 21 respectively, and can be broken down as follows:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Related party receivables** | | |
| Receivables from the parent company | 63,035 | 57,856 |
| Receivables from subsidiaries | 155 | 134 |
| Receivables from other Moneycorp Group companies | 49,655 | 40,231 |
| **Total related party receivables** | 112,845 | 98,221 |
| | | |
| **Related party payables** | | |
| Payables to subsidiaries | (3,456) | (5,308) |
| Payables to other Moneycorp Group companies | (91,781) | (51,972) |
| **Total related party payables** | (95,237) | (57,280) |

### 31. RELATED PARTY BALANCES AND TRANSACTIONS - CONTINUED

**31a. Trading transactions - continued**

Derivative financial instruments between the Company and its related parties are disclosed below.

The following derivative positions were held with other Moneycorp Group companies at the balance sheet date:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Related party financial assets** | | |
| Foreign currency forward contracts | 6,464 | 3,835 |
| Foreign currency option contracts | 1,787 | 14,208 |
| **Total related party financial assets** | 8,251 | 18,043 |
| | | |
| **Related party financial liabilities** | | |
| Foreign currency forward contracts | (8,671) | (9,208) |
| Foreign currency option contracts | (12,193) | (1,862) |
| **Total related party financial liabilities** | (20,864) | (11,070) |

During the year, the Company entered into the following transactions with related companies who are not members of the Moneycorp Group but are connected via common control.

**Other related parties**

The gross amount of currencies sold to these companies is shown below:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Element Materials Technology Holding UK Limited | - | 7,006 |
| Elgin Limited | 811 | 686 |
| Fat Face Limited | 4,027 | 50,617 |
| Fishawack Health Group | 24,655 | - |
| Loc Group Limited | 12,646 | 23,458 |
| QualiTest Group | 15,391 | 2,070 |
| Tunstall Healthcare Group | 21,273 | 29,747 |

These transactions were made on an arm's length basis.

The following gross amounts relating to unsettled currency contracts were outstanding as at the balance sheet date:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Fat Face Limited | - | 3,704 |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

## 31. RELATED PARTY BALANCES AND TRANSACTIONS - CONTINUED

### 31b. Directors' and management transactions

The following transactions were entered into by directors of the Company during the year:

- M Horgan entered into foreign exchange transactions yielding commission income for the Company of £1 (2019: £22) with an average margin of 0.04% (2019: 0.02%). No transactions were outstanding at year end.
- M Horgan held the equivalent of £1,165 within his foreign currency trading accounts at year end (2019: nil).
- N Haslehurst entered into foreign exchange transactions yielding commission income for the Company of £2 (2019: £4) with an average margin of 0.03% (2019: 0.03%). No transactions were outstanding at year end.
- N Haslehurst held nil funds within his trading accounts at year end (2019: Euro account €8,317).
- S Green entered into foreign exchange transactions yielding commission income for the Company of £144 (2019: £1,226) with an average margin of 0.03% (2019: 0.02%). No transactions were outstanding at year end.
- S Green held the equivalent of £28,177 within his foreign currency trading accounts at year end (2019: £32,223).
- R Moores entered into foreign exchange transactions yielding commission income for the Company of £658 (2019: £27) with an average margin of 0.41% (2019: 2.10%). No transactions were outstanding at year end.
- R Moores held the equivalent of £30,848 within his foreign currency trading accounts at year end (2019: €30,090 within his Euro trading account).
- A Harrison (appointed in 2020) held £24 within his foreign currency trading account at year end.
- L McDarby (appointed in 2020) entered into foreign exchange transactions yielding commission income for the Company of £1 with an average margin of 0.01%. No transactions were outstanding at year end.
- L McDarby held £15 within his foreign currency trading account at year end.

Private client transactions carried out on standard terms will earn the Company a margin in the range of 1% to 1.5%.

### 31c. Remuneration of key management personnel

The remuneration of the executive directors of the Company, who are the key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Wages and salaries | 1,264 | 1,545 |
| Post-employment benefits | 18 | 9 |
| Termination benefits | 492 | - |
| | 1,774 | 1,554 |

One director is a member of a money purchase pension scheme (2019: one director).

The emoluments of the highest paid executive director during the year totalled £883k (2019: £888k). Pension contributions of £18k were made during the year, in respect of the highest paid executive director, relating to the money purchase pension scheme (2019: nil).

Compensation for loss of office during the year has been presented above (2019: nil).

## 31. RELATED PARTY BALANCES AND TRANSACTIONS - CONTINUED

### 31d. Management charge

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Management charge | 9,990 | 6,083 |

Net management charges are presented within administration expenses disclosed in note 8. The above amounts reflect the amount recharged to the Company from various Moneycorp Group entities (including £1,587k from a subsidiary company (2019: £1,087k)) offset by amounts recharged from the Company to other Moneycorp Group entities (including £394k to a subsidiary company (2019: £610k)) as governed by intercompany services agreements.

## 32. MONEYCORP GROUP HOLDING COMPANY AND CONTROLLING ENTITY

At the balance sheet date, the Directors consider that the Company's immediate parent and controlling party to be Regent Acquisitions (Holdings) Limited (100% effective holding), incorporated and registered in Jersey, Channel Islands.

The holding company of the Moneycorp Group is Moneta Topco Limited (100% effective holding), a company incorporated and registered in Jersey, Channel Islands. This company produces consolidated financial statements and this group (referred to within these financial statements as the 'Moneycorp Group') represents the largest group that the Company is a subsidiary of.

Consolidated financial statements are also produced for Moneta Midco II Limited, a company incorporated and registered in Jersey, Channel Islands. This group represents the smallest group that the Company is a subsidiary of, for which consolidated financial statements are produced.

The consolidated financial statements for Moneta Topco Limited and Moneta Midco II Limited may be obtained from Floor 5, Zig Zag Building, 70 Victoria Street, SW1E 6SQ.

The ultimate controller of Moneta Topco Limited at the balance sheet date was Bridgepoint Europe IV (Nominees) Limited.

## 33. EVENTS AFTER THE BALANCE SHEET DATE

*Strategic review of Australian businesses*
Subsequent to the balance sheet date, the Board has reviewed the strategic fit of the Australian based subsidiary companies and whether these are in line with overall Moneycorp Group strategy. Whilst no definitive actions have yet been carried out, the Directors intend to exit these businesses, either by way of sale or winding down the companies, in order to focus on the growth of other business segments.

*Sublease rental review*
In June 2021 the Company entered into a deed of variation relating to the sublease, held on the balance sheet as a net investment receivable. The amendment provided further rent free periods to the lessee as well as an additional early termination break clause. The estimated impact of the variation on the financial statements in 2021 is a decrease to the net investment receivable of approximately £1,300k and a corresponding increase to right of use assets.

*UK Coronavirus Job Retention Scheme repayment*
During the year the Company received government grants from the UK Coronavirus Job Retention Scheme of £339k (see note 8 for further details). Whilst there was no requirement to do so, the Company voluntarily repaid all of these funds subsequent to the balance sheet date.