

Annual Report and Consolidated Financial Statements

Consolidated Financial Statements (in Japanese)

For the Year Ended 31 December 2018

Registered number: 5271222

THURSDAY



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Cambridge Mercantile Corp. (UK) Limited

Company Information

Directors	Dorit Robbins Nathan Cheema
Company secretary	Carole Palmer
Registered number	5271222
Registered office	71 Fenchurch Street 10th Floor London EC3M 4BS
Independent Auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY

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Cambridge Mercantile Corp. (UK) Limited

Group Strategic Report

For the year ended 31 December 2018

Introduction

The Directors present the audited consolidated financial statements of Cambridge Mercantile Corp. (UK) Ltd. ("the Group") and the audited financial statements of Cambridge Mercantile Corp. (UK) Ltd. ("the Company") for the year ended 31 December 2018.

Business review

The Company was incorporated on 27 October 2004 and is registered as a Money Services Business with Her Majesty's Revenue and Customs (HMRC) and with the Financial Conduct Authority (FCA) as an Authorized Electronic Money Institution (AEMI), under the Electronic Money Regulations 2011, as amended by the Payment Services Regulations 2017 (PSRs).

The Company's principal business activities during its 2018 year were the provision of foreign exchange and global payment services for corporate customers in the United Kingdom. On 16 January 2013 a wholly owned subsidiary of the Company, Cambridge Mercantile Risk Management (UK) Ltd. was incorporated and on 10 February 2014 received authorization from the FCA, which allowed the trading of over the counter option products. The subsidiary began actively trading in May 2014. Subsequently, in March 2015 permission was received to include the trading of futures. The Group financial statements include the results of Cambridge Mercantile Risk Management (UK) Ltd. The Company notes that the trading of options is restricted to Cambridge Mercantile Risk Management (UK) Ltd. due to licensing agreements in the UK. As a result, this financial instrument is not interchangeable between the entities.

During 2018, the Group processed approximately 282,000 transactions (31 Dec 2017 – approximately 89,000 transactions) representing over £1,898,877,000 in FX volume (31 Dec 2017 – £1,118,975,000 in FX volume). The Group's revenue is £13,580,000 (31 Dec 2017 – Revenue of £8,645,000) and net profit of £2,146,000 (31 Dec 2017 – Profit of £337,000). Overall, the Directors are satisfied with the results for the year ended 31 December 2018 and the state of the Group's affairs as at the Statement of Financial Position date.

Principal risks and uncertainties

The Group is exposed to risks and uncertainties relating to economic, legal and regulatory factors that are inherent in the environment in which the Group operates. The risks and uncertainties described below are not the only ones the Group faces. Additional risks and uncertainties not presently known to the Group or that the Group's management currently deems minor or insignificant may also impair its business operations.

Currency risk

The Group enters into revenue and purchase transactions in foreign currencies and, therefore, is subject to gains and losses due to fluctuations in foreign currency exchange rates. The majority of this risk has been mitigated through offsetting foreign exchange contracts with its related parties.

Group Strategic Report

For the year ended 31 December 2018

Principal risks and uncertainties (continued)

Credit risk

The Group executes both current and forward dated currency exchange transactions. The exposure to credit risk associated with the non-performance of these transactions can be directly affected by a decline in the economic conditions which would impair the Group's clients' ability to satisfy their obligations to the Group. In order to reduce this risk, Cambridge Mercantile Corp., a related party, has credit policies in place whereby analyses are performed to control the granting of credit to any client. The Group may also require client deposits to be in place against forward and option contracts in accordance with its credit policies. The exposure to credit losses, in the event of non-payment by customers, is mitigated due to a related party, Cambridge Mercantile Corp., fully under-writing said risk.

Liquidity risk

Liquidity risk is the risk that the company will not have sufficient funds to meet its liabilities. The company manages its liquidity needs through forecasts which are reviewed regularly to ensure sufficient funds exist to finance the company's current operational and investment cash flow requirements.

Foreign currency risk

The Company undertakes revenue and purchase transactions in foreign currencies and, therefore, is subject to gains and losses due to fluctuations in foreign currency exchange rates. The majority of this risk has been mitigated through offsetting foreign exchange contracts with clients and banks.

Operational risk

The operational risk review process is undertaken on a quarterly basis and is undertaken on a standard risk register template. The assessment requires the identification and consideration of operational risks categorized below. The key operational risks for the Company are reviewed at the board meetings. At present all risks are categorized as low.

External fraud

Risks related to the misappropriation of cash and / or other assets through fraudulent means from an external source – e.g. organized crime.

Internal fraud

Risks related to the misappropriation of cash and / or other assets through fraudulent means from an internal source, e.g. expenses fraud and including management fraud (manipulation of management information so as to spin performance data and giving a false position to the indirect benefit of an employee / manager – promotion / bonus).

Business disruption

Risks related to the extreme events leading to loss of site, systems and / or people.

Cambridge Mercantile Corp. (UK) Limited

Group Strategic Report

For the year ended 31 December 2018

Principal risks and uncertainties (continued)

Product

Risks related to product design, regulatory compliance, product mix, marketing and distribution.

Legal and documentation

Risks related to failing to anticipate legislative change, understand legal requirements or breaching those requirements, or from litigation, e.g. risk arising from unenforceable contract arrangements or failure to accurately specify or evidence the company's position in business documents / contracts.

Regulation

Risks related to failing to anticipate regulatory change or breaching regulatory requirements, e.g. FCA, AML, etc.

Human resources

Risks related to sourcing, retaining and training staff including the cultural environment in which they work.

Process & Procedure

Risks related to the design and performance of processes and procedures, e.g. the risk of loss through errors in the administration of products or services, including lack of proper co-ordination, monitoring or authorization.

Information technology

Risks related to the adequacy of systems, including operating capacity, functionality, integrity (i.e. operationally robust), and security.

Management information

Risks related to the appropriateness, accuracy and timeliness of management information.

Customer service

Risks related to the adequacy and effectiveness of customer service activity, including capacity and function.

Change

Risks related to high level business initiatives, projects and process change.

Third party/outsourcer

Risks related to third party supplier / outsources relationships, e.g. discontinued support, provision of either goods or services and contractual requirements.

Group Strategic Report

For the year ended 31 December 2018

Principal risks and uncertainties (continued)

Criminal & security

Risks related to acts of theft excluding fraud, security of assets, including staff assets, people and Health & Safety issues.

The impact and likelihood of the risks is assessed using subsidiary level impact scales and likelihood over a one year timeframe. This allows the risks to be prioritized and action plans / owners agreed.

Financial key performance indicators

The Group's KPIs are:

- To increase revenue on a quarterly basis
- To increase the number of new clients booking option contracts each quarter
- To increase its margin
- To increase the average contract size
- To continually improve its complaint handling process

Financial review

Consolidated Financial Performance for the year 1 January 2018 to 31 December 2018 has been analyzed as follows:

	Year Ended 31 December 2018 (£'000)	Period from 1 March 2017 to 31 December 2017 (£'000)	Change (%)
Turnover	13,580	8,645	57
Profit before taxation	2,658	462	475
Margin	78%	78%	-
Number of clients	3,149	2,342	34

This report was approved by the board and signed on its behalf.



Dorit Robbins
Director

Date: 26 June 2019

Cambridge Mercantile Corp. (UK) Limited

Directors' Report

For the year ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standards applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation for the year ended 31 December 2018, amounted to £2,146,000 (31 December 2017 – Profit of £337,000).

No dividends were declared during the year (31 December 2017 - £nil).

Cambridge Mercantile Corp. (UK) Limited

Directors' Report

For the year ended 31 December 2018

Directors

Change in directors during the year was as follows:

Timeline:

4 January 2018 – N Cheema appointed as director

Future developments

Looking forward, the foreign exchange market is forecast to grow significantly over the coming years. Although uncertainty remains an ever present consideration in determining future performance, the directors are confident that the Company is well positioned to capitalize on this growth with its strong client base and competitive breadth of products and technology solutions.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

Ernst & Young LLP is deemed to be reappointed as auditors in accordance with section 487 (2) of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Dorit Robbins
Director

Date: 26 June 2019

Cambridge Mercantile Corp. (UK) Limited

Independent Auditor's Report to the Members of Cambridge Mercantile Corp. (UK) Limited

Opinion

We have audited the financial statements of Cambridge Mercantile Corp. (UK) Limited ('the parent company') and its subsidiary (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Profit or loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Cambridge Mercantile Corp. (UK) Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Cambridge Mercantile Corp. (UK) Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the 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.



*James Billingham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 June 2019*

Consolidated Statement of Profit or Loss and Other Comprehensive Income

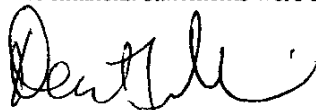
For the year ended 31 December 2018

		Year ended 31 December 2018 £000	Period from 1 March 2017 to 31 December 2017 £000
	Note		
Turnover	1	13,580	8,645
Cost of sales		(2,922)	(1,865)
Gross profit		10,658	6,780
Administrative expenses		<u>(8,000)</u>	<u>(6,318)</u>
Operating profit		2,658	462
Tax on profit	6	<u>(512)</u>	<u>(125)</u>
Profit for the financial year		<u>2,146</u>	<u>337</u>

There were no recognized gains and losses for year ended 31 December 2018 or period ended 31 December 2017 other than those included in the consolidated statement of profit or loss and other comprehensive income.

The Company recognized a profit for the financial year of £1,174,000 (31 December 2017 – loss of £122,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Dorit Robbins

Director

Date: 26 June 2019

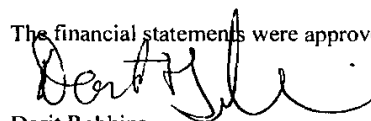
The notes on pages 16 to 35 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 £000	31 December 2017 £000
Fixed assets			
Tangible assets	7	78	47
Current assets			
Debtors: amounts falling due within one year	9	5,163	715
Derivative financial assets	12	6,239	5,196
Corporate tax receivable		-	156
Deferred tax asset		22	-
Cash at bank and in hand	10	<u>3,294</u>	<u>4,124</u>
		14,718	10,191
Corporate tax payable		(385)	-
Creditors: amounts falling due within one year	11	(6,292)	(6,595)
Derivative financial liabilities	12	<u>(3,900)</u>	<u>(1,274)</u>
		(10,577)	(7,869)
Net current assets		<u>4,141</u>	<u>2,322</u>
Total assets less current liabilities		4,219	2,369
Provisions for liabilities			
Contingent tax liabilities		-	(295)
Deferred tax liabilities		-	(7)
		-	(302)
Net assets		<u>4,219</u>	<u>2,067</u>
Capital and reserves			
Called up share capital	13	1,500	1,500
Profit and loss account		<u>2,719</u>	<u>567</u>
		<u>4,219</u>	<u>2,067</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Dorit Robbins

Director

Date: 26 June 2019

The notes on pages 16 to 35 form an integral part of these financial statements.

Company Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 £000	31 December 2017 £000
Fixed assets			
Tangible assets	7	78	47
Investments	8	<u>325</u>	<u>325</u>
		403	372
Current assets			
Debtors: amounts falling due within one year	9	4,951	505
Derivative financial assets	12	1,054	2,494
Corporate tax receivable		-	118
Deferred tax receivable		24	-
Cash at bank and in hand	10	<u>2,972</u>	<u>3,692</u>
		9,001	6,809
Corporate tax payable		(194)	-
Creditors: amounts falling due within one year	11	(6,124)	(5,288)
Derivative financial liabilities	12	<u>(1,070)</u>	<u>(1,053)</u>
		(7,388)	(6,341)
Net current assets		<u>1,613</u>	<u>468</u>
Total assets less current liabilities		2,016	840
Provisions for liabilities			
Deferred tax liabilities		<u>(3)</u>	<u>(7)</u>
		(3)	(7)
Net assets		<u>2,013</u>	<u>833</u>
Capital and reserves			
Called up share capital	13	1,500	1,500
Profit and loss account		<u>513</u>	<u>(667)</u>
		<u>2,013</u>	<u>833</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Dorit Robbins

Director

Date: 26 June 2019

The notes on pages 16 to 35 form an integral part of these financial statements.

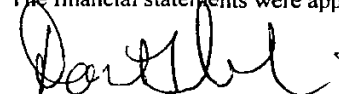
Cambridge Mercantile Corp. (UK) Limited

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Called up Share Capital £000	Profit and loss account £000	Total Equity £000
At 1 January, 2018	1,500	567	2,067
Comprehensive income for the year			
Other		6	6
Profit for the year	-	2,146	2,146
At 31 December 2018	<u>1,500</u>	<u>2,719</u>	<u>4,219</u>
At 1 March, 2017	1,500	230	1,730
Comprehensive income for the period			
Profit for the period	-	337	337
At December 31, 2017	<u>1,500</u>	<u>567</u>	<u>2,067</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Dorit Robbins
Director
Date: 26 June 2019

The notes on pages 16 to 35 form an integral part of these financial statements.

Cambridge Mercantile Corp. (UK) Limited

Company Statement of Changes in Equity

For the year ended 31 December 2018

	Called up Share Capital £000	Profit and loss account £000	Total Equity £000
At 1 January, 2018	1,500	(667)	833
Comprehensive income for the year			
Other	-	6	6
Profit for the year	-	1,174	1,174
At 31 December 2018	<u>1,500</u>	<u>513</u>	<u>2,013</u>
At 1 March, 2017	1,500	(545)	955
Comprehensive income for the period			
Profit for the period	-	(122)	(122)
At December 31, 2017	<u>1,500</u>	<u>(667)</u>	<u>833</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Dorit Robbins
Director
Date: 26 June 2019

The notes on pages 16 to 35 form an integral part of these financial statements.

Cambridge Mercantile Corp. (UK) Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December 2018 £000	Period from 1 March 2017 to 31 December 2017 £000
Cash flows from operating activities		
Operating profit for the financial year/period	2,658	462
Adjustments for:		
Income tax expense	(512)	(125)
Depreciation	19	9
Deferred tax	(323)	304
Other	6	-
(Increase) / decrease in debtors	(4,449)	15,639
(Decrease) / increase in creditors	(303)	(6,926)
(Decrease) / increase in derivative assets	(1,043)	(4,179)
(Decrease) / increase in derivative liabilities	2,625	(471)
Corporation tax	542	(390)
Net cash generated from operating activities	(780)	4,323
Cash flows from investing activities		
Purchase of tangible fixed assets	(50)	(11)
Net cash from investing activities	(50)	(11)
Net increase/(decrease) in cash and cash equivalents	(830)	4,312
Cash and cash equivalents at the beginning of year	4,124	(188)
Cash and cash equivalents at the end of year	3,294	4,124

The notes on pages 16 to 35 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Items subject to significant management estimates include derivative fair value and provision for doubtful receivables. Management determines these estimates based on pricing from a derivative dealer operating in an active market, historical experience, current conditions and other factors that it believes to be reasonable under the circumstances in applying the Group's accounting policies.

The Company declares exemption under Companies Act 2006, Section 408 and has elected not to disclose the Company's non-Consolidated Statement of Profit or Loss and Other Comprehensive Income. In addition, the Company also declares exemption under FRS 102 Section 1.12 (b) and has elected not to disclose the Company's non-consolidated Statement of Cashflow.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by Dorit Robbins, Director, on 26 June 2019. In addition, the Group acknowledges that the entity's parent holds the power to amend the financial statement after issue if required.

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date on which control is obtained.

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies (continued)

1.3 Turnover

Turnover is recognized to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Computer hardware	- straight line (3 years)
Fixtures and fittings	- straight line (5 years)
Leasehold improvements	- straight line (lease term)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Management notes that there were no such indication of impairment of tangible fixed asset during the year ended 31 December 2018.

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies (continued)

1.4 Tangible fixed assets (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

1.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.6 Debtors and Creditors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortized cost using the effective interest method, less any impairment.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortized cost using the effective interest method.

For the recorded contractual liabilities with client deals that were past settlement dates, the Company has assessed that only funded deals should be recorded in client deposits. Liabilities associated with unfunded deals awaiting payment instructions should be recorded in trade payables. As a result, reclassification entries were identified and adjusted for in assessing the presentation of the Company's customer deposits, accounts receivable and accounts payable for the year ended 31 December 2018 and 31 December 2017. £59,000 of creditors were reclassified to debtors as of 31 December 2017 in the Group and Company Statement of Financial Position.

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

As of 31 December 2017, £1.4 million cash was in transit which relates to executed deals as of year-end. The related debtor balance should have been de-recognised and the cash recorded as of year-end.

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies (continued)

1.7 Cash and cash equivalents (continued)

The prior year comparatives have been restated for this amount. £1.4 million of debtors were reclassified to cash as of 31 December 2017 in the Group Statement of Financial Position. £1.3 million of debtors were reclassified to cash as of 31 December 2017 in the Company Statement of Financial Position.

1.8 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortized cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortized cost.

Financial assets that are measured at cost and amortized cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Derivative forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognized in profit or loss of the related party, Cambridge Mercantile Corp. which manages the group portfolio. The company does not apply hedge accounting for foreign exchange derivatives.

1.9 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the lease term.

1.10 Borrowing costs

All borrowing costs are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies (continued)

1.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except that a charge attributable to an item of income and expense recognized as other comprehensive income or to an item recognized directly in equity is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognized in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognized in respect of permanent differences except in respect of business combinations, when deferred tax is recognized on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies (continued)

1.13 Reclassification of prior period comparative figures

Certain comparative figures within the financial statements have been reclassified to conform with the presentation adopted in the current year to reflect the correct accounting treatment. Refer to notes 1.6, 1.7 and 16 for the details of the reclassifications. There has been no impact on the profit or loss and the net assets as part of these reclassifications. In addition, the financial statements cover the year ended 31 December 2018 and the comparatives cover the period from 1 March 2017 to 31 December 2017. The difference in reporting period covered results in the amounts reported in the financial statements and accompanying notes not being entirely comparable.

1.14 Capital management

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and other strategic objectives. The capital of the Company consists of shareholder's equity, which includes capital contribution and retained earnings.

1.15 Recent Changes in Accounting Policy

IFRS 9 Financial Instruments

During the current year, the Company changed its accounting policy on the treatment of its financial instrument from IAS 39 to IFRS 9. The change in the accounting policy allows the Company to present more relevant and reliable information under IFRS 9 and aligns its accounting policy to that of its related party, Cambridge Mercantile Corp. Refer to prior year financial statements for the Company's previous policy under IAS 39. The Company assesses the impact of the transitional disclosure as part of the IFRS 9 adoption to be immaterial. As a result, no adjustments have been made to the opening balances and no transitional reconciliation from the adoption is being presented.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the assessments on the classification of the Group's financial assets:

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies (continued)

1.15 Recent Changes in Accounting Policy (continued)

IFRS 9 Financial Instruments (continued)

- Trade receivables and payables and Other non-current financial assets and liabilities are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These continued to be measured at present value of the future cash flows and subsequently at amortized cost using the effective interest method.
- Derivative foreign exchange contracts are free standing non-hedging derivative financial assets or liabilities. These will continue to be measured at fair value on the date a derivative contract is entered into and subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognized in profit or loss of the related party, Cambridge Mercantile Corp. which manages the group portfolio.

(b) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. Management has assessed the ECL on its financial assets and liabilities and have concluded that it is insignificant based on the Group's current financial risk assessment and historical data. See note 12 for further discussion on the financial risk management of the Company.

(c) Hedge accounting

The Company does not apply Hedge accounting.

2. Operating profit

The operating profit is stated after charging:

	Year ended 31 December 2018	Period from 1 March 2017 to 31 December 2017
	£000	£000
Depreciation of tangible fixed assets	<u>19</u>	<u>9</u>

Notes to the Financial Statements

For the year ended 31 December 2018

3. Auditor's remuneration

	Year ended 31 December 2018 £000	Period from 1 March 2017 to 31 December 2017 £000
Fees payable to the Group's auditor for the audit of the Company's annual financial statements	51	41
Fees payable to the Group's auditor for the audit of the Subsidiary financial statements	<u>11</u>	<u>15</u>
	<u>62</u>	<u>56</u>

4. Employees

	Year ended 31 December 2018 £000	Period from 1 March 2017 to 31 December 2017 £000
Staff costs were as follows:		
Wages and salaries	<u>3,886</u>	<u>3,353</u>
	<u>3,886</u>	<u>3,353</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 31 December 2018 No.	Period from 1 March 2017 to 31 December 2017 No.
Operations	10	11
Management	6	8
Sales	<u>36</u>	<u>42</u>
	<u>52</u>	<u>61</u>

5. Director's remuneration

The highest paid director received remuneration of £354,652 (31 December 2017 – £453,757) and was paid by Cambridge Mercantile Corp. (UK) Limited. An additional director received remuneration of £29,458 (31 December 2017 - £54,723) for services rendered as director of Cambridge Mercantile Corp. (UK) Limited and was paid by Cambridge Mercantile Corp.

Notes to the Financial Statements

For the year ended 31 December 2018

6. Taxation

	Year ended 31 December 2018 £000	Period from 1 March 2017 to 31 December 2017 £000
Corporation tax		
Current tax on profits for the year/period	541	105
Adjustment in relation to prior period	-	13
Total current tax	<u>541</u>	<u>118</u>
Deferred tax	(29)	7
Total deferred tax	<u>(29)</u>	<u>7</u>
Taxation on profit on ordinary activities	<u>512</u>	<u>125</u>

Factors affecting tax charge for the year/ period

The tax assessed for the year is higher than (2017 – higher than) the standard rate of corporation tax in the UK of 19.00% (2017 – 19.10%). The differences are explained below:

	Year ended 31 December 2018 £000	Period from 1 March 2017 to 31 December 2017 £000
Profit/(loss) on ordinary activities before tax	<u>2,659</u>	<u>462</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 – 19.10%)	<u>505</u>	<u>89</u>
Effects of:		
Expenses not deductible for tax purposes	5	15
Deferred tax reduction to 17%	2	8
Under/(Over) provision in prior year	-	13
Total tax charge for the year/period	<u>512</u>	<u>125</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Notes to the Financial Statements

For the year ended 31 December 2018

7. Tangible fixed assets

Group and Company

	Computer Hardware £000	Furnitures and Fixtures £000	Leasehold Property £000	Total £000
Cost				
At 1 January 2018	16	19	16	51
Additions	29	20	-	49
Write-offs	(7)	(5)	-	(12)
At 31 December 2018	<u>38</u>	<u>34</u>	<u>16</u>	<u>88</u>
Depreciation				
At 1 January 2018	1	2	1	4
Depreciation for the year	10	4	5	19
Write-offs	(8)	(5)	-	(13)
At 31 December 2018	<u>3</u>	<u>1</u>	<u>6</u>	<u>10</u>
Net book value				
At 31 December 2018	<u>35</u>	<u>33</u>	<u>10</u>	<u>78</u>
At 31 December 2017	<u>15</u>	<u>17</u>	<u>15</u>	<u>47</u>

Notes to the Financial Statements

For the year ended 31 December 2018

8. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of Shares	Holding	Principal
Cambridge Mercantile Risk Management Ltd. 71 Fenchurch Street, 10 th Floor London, EC3M 4BS	Ordinary	100%	Foreign Exchange

Company

Investments
In subsidiary
Companies
£000

Cost

At 1 January 2018	<u>325</u>
At 31 December 2018	<u>325</u>

Net book value

At 1 March 2017	<u>325</u>
At 31 December 2017	<u>325</u>

Notes to the Financial Statements

For the year ended 31 December 2018

9. Debtors

	Group	Group	Company	Company
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade debtors	3,410	497	3,336	287
Amounts due from group undertakings	1,534	-	1,396	-
Prepayments and accrued income	<u>219</u>	<u>218</u>	<u>219</u>	<u>218</u>
	<u>5,163</u>	<u>715</u>	<u>4,951</u>	<u>505</u>

10. Cash and cash equivalents

	Group	Group	Company	Company
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	£000	£000	£000	£000
Cash at bank and in hand	<u>3,294</u>	<u>4,124</u>	<u>2,972</u>	<u>3,692</u>

11. Creditors: Amounts falling due within one year

	Group	Group	Company	Company
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	£000	£000	£000	£000
Bank overdrafts	-	(473)	-	(473)
Trade creditors	(4,452)	(1,744)	(4,368)	(1,098)
VAT tax payable	(138)	(187)	(122)	(187)
Amounts owed to group undertakings	(180)	(3,659)	(180)	(3,026)
Accruals and deferred income	<u>(1,522)</u>	<u>(532)</u>	<u>(1,454)</u>	<u>(504)</u>
	<u>(6,292)</u>	<u>(6,595)</u>	<u>(6,124)</u>	<u>(5,288)</u>

Notes to the Financial Statements

For the year ended 31 December 2018

12. Financial instruments

Financial assets and liabilities are recognized when the Group becomes party to the contracts that give rise to them and are classified as loans or borrowings, receivables, payables or financial instruments fair valued through profit and loss as appropriate. The gain or loss on mark to market changes on derivative contracts is recognized by Cambridge Mercantile Corp. which manages the group portfolio by entering into offsetting contracts with financial institutions. The Group determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

The table below sets out carrying amounts of financial assets and financial liabilities. The Group considers the carrying amount of all financial assets and liabilities to reflect their fair value.

	Group 31 December 2018 £000	Group 31 December 2017 £000	Company 31 December 2018 £000	Company 31 December 2017 £000
Financial assets				
Financial assets measured at fair value				
through profit and loss	6,239	5,196	1,054	2,494
Cash and cash equivalents	3,294	4,124	2,972	3,692
Financial assets measured at amortized cost	<u>5,163</u>	<u>715</u>	<u>4,951</u>	<u>505</u>
	<u>14,696</u>	<u>10,035</u>	<u>8,977</u>	<u>6,691</u>
Financial liabilities				
Financial liabilities measured at fair value				
through profit and loss	(3,900)	(1,274)	(1,070)	(1,053)
Financial liabilities measured at amortized cost	<u>(6,292)</u>	<u>(6,595)</u>	<u>(6,124)</u>	<u>(5,288)</u>
	<u>(10,192)</u>	<u>(7,869)</u>	<u>(7,194)</u>	<u>(6,341)</u>

Notes to the Financial Statements

For the year ended 31 December 2018

12. Financial instruments (continued)

Financial risk management

Credit risk:

Credit risk arises from the possibility that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The exposure to credit losses, in the event of non-payment by customers, is mitigated due to a related party, Cambridge Mercantile Corp., fully under-writing said risk.

Liquidity risk:

Liquidity risk is the risk that the company will not have sufficient funds to meet its liabilities. The company manages its liquidity needs through forecasts which are reviewed regularly to ensure sufficient funds exist to finance the company's current operational and investment cash flow requirements.

Capital management:

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its stakeholders and maintaining capital adequacy in accordance with its regulatory obligations. Capital is monitored on a quarterly basis by the directors. The capital structure of the company consists of issued capital, reserves and retained earnings.

Derivative Financial Instruments

The Company writes derivatives, primarily foreign currency forward contracts and option contracts, mostly with small and medium size enterprises and derives a currency spread from this activity. Derivative transactions include:

Futures and forward contracts, which are commitments to buy or sell at a future date a currency at a contract price and may be settled in cash or through delivery of an item readily convertible to cash.

Option contracts, which give the purchaser the right, but not the obligation to buy or sell within a specified time a currency at a contracted price that may also be settled in cash, based on currency exchange rates.

Notes to the Financial Statements

For the year ended 31 December 2018

12. Financial instruments (continued)

Derivative Financial Instruments (continued)

The aggregate equivalent British Pound notional amount of foreign exchange derivative customer contracts held by the Group as of 31 December 2018 (in thousands) is presented in the table below. Notional amounts do not reflect the netting of offsetting trades, although these offsetting positions may result in minimal overall market risk. Aggregate derivative notional amounts can fluctuate from period to period in the normal course of business based on market share, levels of client activity and other factors.

	Notional 31 December 2018 £000	Notional 31 December 2017 £000
Futures & forwards	144,506	120,502
Written options	104,068	81,688
Purchased options	<u>127,717</u>	<u>91,102</u>
Total derivative assets and liabilities	<u>376,291</u>	<u>293,292</u>

The significant majority of customer foreign exchange derivative contracts are written in major currencies such as the U.S. Dollar, British Pound, Euro and Australian Dollar.

The following table summarizes the fair value of derivatives reported in the Consolidated Statement of Financial Position as of 31 December 2018:

	Fair Value	
Derivatives - undesignated:	Derivative Assets	Derivative Liabilities
	£000	£000
Over the counter	6,239	3,900
Foreign exchange contracts	6,239	3,900
Cash collateral received/paid	1,567	-
Total net derivatives	<u>4,672</u>	<u>3,900</u>

Notes to the Financial Statements

For the year ended 31 December 2018

12. Financial instruments (continued)

Derivative Financial Instruments (continued)

The following table summarizes the fair value of derivatives reported in the Consolidated Statement of Financial Position as of 31 December 2017:

Derivatives - undesignated:	Fair Value	
	Derivative Assets	Derivative Liabilities
	£000	£000
Over the counter	5,196	1,274
Foreign exchange contracts	5,196	1,274
Cash collateral received/paid	2,413	-
Total net derivatives	2,783	1,274

The day 1 profit of the derivative contracts is recognized immediately as revenue in the Statement of Profit or Loss and Other Comprehensive Income. The subsequent gain or loss on mark to market changes is recognized by Cambridge Mercantile Corp. which manages the group portfolio by entering into offsetting contracts with financial institutions. The Group does not offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral. At December 31, 2018, the Group recognized £6,239,000 derivative assets (2017, £5,196,000) and £3,900,000 in derivative liabilities (2017, £1,274,000) were in the Consolidated Statement of Financial Position.

The Group recognizes all derivatives in Debtors and Creditors in the Consolidated Statement of Financial Position at their fair value. All cash flows associated with derivatives are included in cash flows from operating activities in the Consolidated Statement of Cash Flows.

Notes to the Financial Statements

For the year ended 31 December 2018

12. Financial instruments (continued)

Derivative Financial Instruments (continued)

The Group is exposed to risk from derivative contracts written to its customers arising from its cross-currency payments operations, which are not designated as hedging instruments. The duration of these derivative contracts at inception is generally short term, with maturities from a few days up to less than one year. Cambridge Mercantile Corp. aggregates its cross-currency payments foreign currency exposures arising from customer contracts and the resulting net currency risks are managed by entering into offsetting contracts with established financial institution counterparties (economic hedge contracts) as part of its broader foreign currency portfolio, including significant spot exchanges of currency in addition to forwards and options.

The fair value of the Group's derivatives is derived with reference to a valuation from a derivatives dealer operating in an active market, which the Group accepts as the fair value of these instruments. The fair value represents what would be received or paid by the Group if the contracts were terminated as of the reporting date.

Fair Value

Fair value is a market-based measurement that reflects assumptions that market participants would use in pricing an asset or liability. IFRS discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's market assumptions.

As the basis for evaluating such inputs, a three-tier value hierarchy prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following table presents the Company's financial assets and liabilities which are measured at fair values on a recurring basis:

Notes to the Financial Statements

For the year ended 31 December 2018

12. Financial instruments (continued)

Derivative Financial Instruments (continued)

	<u>Fair Value</u> £000	<u>Level 1</u> £000	<u>Level 2</u> £000	<u>Level 3</u> £000
December 31, 2018				
<i>Assets:</i>				
Foreign exchange derivatives	6,239	-	6,239	-
Total assets	6,239	-	6,239	-
Cash collateral received	1,567	1,567	-	-
<i>Liabilities:</i>				
Foreign exchange derivatives	3,900	-	3,900	-
Total liabilities	3,900	-	3,900	-
Cash collateral paid	-	-	-	-

The following table presents the Company's financial assets and liabilities which are measured at fair values on a recurring basis as of 31 December 2017.

	<u>Fair Value</u> £000	<u>Level 1</u> £000	<u>Level 2</u> £000	<u>Level 3</u> £000
December 31, 2017				
<i>Assets:</i>				
Foreign exchange derivatives	5,196	-	5,196	-
Total assets	5,196	-	5,196	-
Cash collateral received	-	-	-	-
<i>Liabilities:</i>				
Foreign exchange derivatives	1,274	-	1,274	-
Total liabilities	1,274	-	1,274	-
Cash collateral paid	2,413	2,413	-	-

Notes to the Financial Statements

For the year ended 31 December 2018

12. Financial instruments (continued)

Derivative Financial Instruments (continued)

The Company utilizes Level 2 fair value determinations derived from directly or indirectly observable (market based) information to determine the fair value of these highly liquid financial instruments. Foreign exchange derivative contracts are carried at fair value. The changes in fair value is recognized by Cambridge Mercantile Corp. which manages the group portfolio. These changes are reflected in the book of the Group through intercompany accounts in the Consolidated Statement of Financial Position.

Cash collateral received for foreign exchange derivatives is not recorded on the Consolidated Statement of Financial Position at 31 December 2018 as the Company does not have title to the collateral. No cash collateral was paid for foreign exchange derivatives at 31 December 2018.

13. Share capital

	31 December 2018 £000	31 December 2017 £000
Allotted, called up and fully paid		
1,500,000 Ordinary shares of £1 each	1,500	1,500

14. Commitments under operating leases

At 31 December 2018 the Group and the Company had future minimum lease payments for office rentals under non-cancellable operating leases as follows:

	Group 31 December 2018 £000	Group 31 December 2017 £000	Company 31 December 2018 £000	Company 31 December 2017 £000
Not later than 1 year	201	241	201	241
Later than 1 year and not later than 5 years	<u>168</u>	<u>463</u>	<u>168</u>	<u>463</u>
	<u>369</u>	<u>704</u>	<u>369</u>	<u>704</u>

Notes to the Financial Statements

For the year ended 31 December 2018

15. Related party transactions

The amount due to FLEETCOR Technologies, Inc. of £180,000 (2017 £54,000) is unsecured and non-interest bearing and has no fixed terms of repayment.

The amount due from Cambridge Mercantile Corp. of £1,534,000 (2017 – Due to £3,605,000) is unsecured and non-interest bearing and has no fixed terms of repayment.

16. Royalties and fees

The Group acts as an agent of various partners and manages third party transactions on behalf of its partners. For fiscal year ended 31 December 2018 fees of £667,000 (2017 – £367,000) were paid by the Group to these partners. Royalties and fees are presented on a net basis in the company's Foreign Currency revenues within the Statement of Profit or Loss and Other Comprehensive Income. In the prior year, royalties of £367,000 were shown as administrative expenses. Under FRS 102 23.4, for agency relationships, an entity shall only recognize the amounts earned in net commissions in revenues. The prior year comparative amounts have been restated for all agency related agreements (amounting to £367k) and present the royalties in revenue on a net basis.

17. Post Statement of Financial Position events

There are no subsequent events that have occurred after the Consolidated Statement of Financial Position date but before the date this statement was filed.

18. Ultimate parent undertaking and controlling party

The ultimate controlling party is considered to be FLEETCOR Technologies, Inc. a Delaware corporation based in Peachtree Corners, GA, USA.