

Annual Report and Consolidated Financial Statements

Cambridge Mercantile Corp. (UK) Limited

For the Year Ended 31 December 2021

Registered number: 5271222



Company Information

Directors

Dorit Robbins
Nathan Cheema

Company secretary

Carole Palmer

Registered number

5271222

Registered office

40 Strand
4th Floor
London
WC2N 5RW

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Cambridge Mercantile Corp. (UK) Limited

Contents

	Pages
Group strategic report	1 - 5
Directors' report	6
Directors' responsibilities statement	7
Independent auditor's report	8 - 11
Consolidated statement of comprehensive income	12
Consolidated statement of financial position	13
Company statement of financial position	14
Consolidated statement of changes in equity	15
Company statement of changes in equity	16
Consolidated statement of cash flows	17
Notes to the financial statements	18 - 39

Cambridge Mercantile Corp. (UK) Limited

Group Strategic Report

For the year ended 31 December 2021

Introduction

The Directors present the audited consolidated financial statements of Cambridge Mercantile Corp. (UK) Limited (“the Group”) and the audited financial statements of Cambridge Mercantile Corp. (UK) Limited (“the Company”) for the year ended 31 December 2021. The Group Strategic report should be read in conjunction with the other sections of this annual report, including the consolidated financial statements and the accompanying notes.

Business review

The Company was incorporated as a private company limited by shares on 27 October 2004, and registered under the Registrar of Companies for England and Wales. In addition, the Company is registered as a Money Services Business with Her Majesty’s Revenue and Customs (HMRC) and with the Financial Conduct Authority (FCA) as an Authorised Electronic Money Institution (AEMI), under the Electronic Money Regulations 2011, as amended by the Payment Services Regulations 2017 (PSRs).

Effective 3 December 2021, the Company entered into a Sale Agreement (the “Agreement”) to effectuate a reorganization for post-acquisition integration and efficiency of the group. The Company issued an unsecured debenture (the “Note”) in the principal amount £71,588,655, maturing on 3 December 2031, in exchange for certain assets and liabilities of AFEX on the terms and subject to the conditions set for in the Agreement. The purpose of this acquisition is to effectuate a reorganization for post-acquisition integration.

The Company’s principal business activities during its 2021 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 2021, the Group processed approximately 60,624 transactions (2020: 66,811) representing over £3,514 million in FX volume (2020: £2,586 million in FX volume). The Group’s revenue was £30,376k (2020: Revenue of £25,731k) and net profit of £5,679k (2020: Profit of £6,466k). Overall, the Directors are satisfied with the results for the year ended 31 December 2021 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.

Cambridge Mercantile Corp. (UK) Limited

Group Strategic Report

For the year ended 31 December 2021

Principal risks and uncertainties (continued)

Credit risk

The Group executes both current and forward dated currency exchange transactions. 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 Group performs reviews of the credit risk of its customers at the inception of the contracts and on an ongoing basis. The Group anticipates that its counterparties will be able to fully satisfy their obligations under the agreements, but takes actions when doubt arises about the counterparties' ability to perform. These actions may include collateral requirements, exposure limits, or possible termination of the related contracts. The Group also monitors the concentration of its contracts with any individual counterparty.

Liquidity risk

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

Foreign currency risk

The Group 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 categorised below. The key operational risks for the Group are reviewed at the board meetings. At present all risks are categorised as low.

External fraud

Risks related to the misappropriation of cash and / or other assets through fraudulent means from an external source – e.g., organised 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 2021

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 Group's position in business documents / contracts.

Regulation

Risks related to failing to anticipate regulatory change or breaching regulatory requirements, e.g., Financial Conduct Authority (FCA), Anti Money Laundering (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 / outsourcer relationships, e.g., discontinued support, provision of either goods or services and contractual requirements.

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 prioritised and action plans / owners agreed.

Cambridge Mercantile Corp. (UK) Limited

Group Strategic Report

For the year ended 31 December 2021

Section 172(1) Statement: Directors Duty to promote the success of the Company

The Group prides itself in providing global payment solutions for various stakeholders including small-to-medium sized businesses, international NGO's and charities, and mid-to-large sized corporations in the UK and Europe. Our customers rely on us to deliver cross-border payments, simplify the accounts payable processes, and provide solutions to mitigate foreign currency risks. The Group maintains a relentless focus on improving customer satisfaction and in doing so has developed innovative digital platforms to help promote more efficient global trade. The Group has positioned itself as a full suite provider of foreign exchange, often serving smaller corporations with high quality care and personalised solutions to fit their unique needs. Over 2,000 UK businesses have benefited directly from the Group's payment technology and development activities.

The Group prioritises the safeguarding of customer data in accordance with GDPR, and also conducts mandatory annual training with all staff to comply with the latest industry standards. In addition, all staff undergo annual training on anti-money laundering and counter terrorist financing. Employees also receive training on the Group's Global Code of Conduct and Ethics. These training modules contribute to the integrity of the financial system and promotes the interests of the broader community.

The Group ensures transparent relationships with regulators and maintains regular liaisons to discuss important matters. The Group also develops and maintains systems to closely monitor compliance with all regulatory requirements, which help foster a healthy financial system.

The Group has forged good relationships with suppliers of hedging products, namely Cambridge Mercantile Corp, a related party, and global money centre banks. These suppliers also maintain stringent internal controls, especially with regard to protecting customer assets, and are reliable dealers of currency derivative products. The Group's suppliers of currency are considered partners and have been highly reliable since the Group's inception. Cambridge Mercantile Corp. acts as an internal supplier of currency products and has also built a strong network of banking partners.

The Group's operations have minimal environmental impact.

With regards to employee development, the Group encourages staff to develop new skills and embrace learning opportunities. For example, the Group has provided subscriptions to LinkedIn Learning for all employees. The Group has also established Human Resources policies and procedures to support the fair treatment of employees.

In summary, the Group's culture and consideration for customer, employee, government, and community needs help build a more sustainable enterprise. The Group will continue to promote systems and practices that solidify its reputation for conducting business at a high standard.

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

Cambridge Mercantile Corp. (UK) Limited

Group Strategic Report

For the year ended 31 December 2021

Financial review

Consolidated financial performance for the year 1 January 2021 to 31 December 2021 and 1 January 2020 to 31 December 2020 has been analysed as follows:

	2021 £000	2020 £000	Change %
Turnover	30,376	25,731	18
Profit before taxation	7,212	8,006	-10
Margin	75%	75%	0
Number of clients	6,601	2,431	172

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

DocuSigned by:
Dodi Robbins
DBAD03AEBFCF484...

Dorit Robbins
Director

Date: 8 December 2022

Cambridge Mercantile Corp. (UK) Limited

Directors' Report

For the year ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The Group profit after taxation for the year ended 31 December 2021 amounted to £5,679k (2020: Profit of £6,466k). There were no dividends paid, recommended or declared during the current or previous financial year.

Directors

There were no changes in directors during the year.

Future developments

In accordance with the best principles of corporate governance, it is incumbent on the directors to review the status of the Group as a going concern. Current conditions and events, including the invasion of Ukraine and sanctions on Russia, have been evaluated to determine whether the Group can continue as a going concern. The Group continues to be fully operational despite the war. As part of the going concern assessment, the Group has performed risk analysis. Based on the evaluation of key risks and the results of scenario analysis, Management has concluded that the Group will continue to operate as a viable business until at least 31 December 2023, which is more than 12 months from the date of approval of the financial statements. As a result, the annual financial statements are prepared on a going concern basis. Although uncertainty remains regarding global trade and economic conditions, the directors are confident that the Group is well positioned to weather the economic turbulence considering its financial resources, cash flows, profitability, and access to capital. The Group is expected to capitalise on long-term growth opportunities given its strong client base and competitive breadth of products and technology solutions.

Environmental legislation

The Group is subject to environmental legislation in accordance with applicable law in the United Kingdom. Management does not believe these regulations have a significant impact on the Group's operations and financial results.

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 of directors and signed on its behalf.

DocuSigned by:

Dodi Robbins
Director
Date: 8 December 2022

Cambridge Mercantile Corp. (UK) Limited

Directors' Responsibility Statement

For the year ended 31 December 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with the requirements of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 group and the parent company and of the profit or loss of the group and the parent company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with section 10 of FRS 102 Accounting Policies, Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and parent company financial position and financial performance;
- in respect of the group's and the parent company's financial statements, state whether applicable UK Accounting Standards including FRS 102 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 appropriate to presume that the group and/or parent company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the parent company and enable them to ensure that the group and the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.



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 for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 19, 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 parent company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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. 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

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 group's or the parent company's ability to continue as a going concern for a period of up to 31 December 2023, which is 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's or the parent company's ability to continue as a going concern.



Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 there is 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 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 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 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 directors' responsibilities statement set out on page 7, 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 and 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

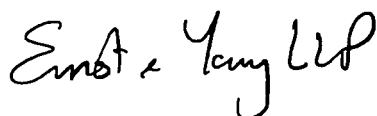
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the parent company and determined that the most significant are the Companies Act 2006, Financial Services and Market Act 2000, Financial Reporting Standard 102, tax legislation (governed by HM Revenue and Customs) and group's and parent company's primary regulator, the Financial Conduct Authority (FCA).
- We understood how the group and parent company is complying with these legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the group and UK regulatory bodies, reviewed minutes of the Board, made enquiries of the management for their awareness of any non-compliance with laws and regulations and gained an understanding of the group's approach to governance demonstrated by the Board's approval of the risk management framework and the internal controls processes.
- We assessed the susceptibility of the group's financial statements to material misstatement by considering the risk of management override of controls. We considered the controls that the group has established to address risks, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved enquiries of executive management and those responsible for legal and compliance matters and journal entry testing. We then corroborated our enquiries through review of board minutes, policies and correspondence with relevant regulatory authorities.

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 group's and the parent 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.

A handwritten signature in black ink, which appears to read 'Ernst & Young LLP'.

James Billingham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
8 December 2022

Cambridge Mercantile Corp. (UK) Limited

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	1	30,376	25,731
Cost of sales		<u>(7,553)</u>	<u>(6,501)</u>
Gross profit		22,823	19,230
Administrative expenses		<u>(15,611)</u>	<u>(11,224)</u>
Profit before taxation		7,212	8,006
Taxation	6	<u>(1,533)</u>	<u>(1,540)</u>
Profit and total comprehensive income for the year		<u>5,679</u>	<u>6,466</u>

The Company recognised a profit for the financial year of £1,090k (2020: £2,030k).

There were no recognised gains and losses for the year ended 31 December 2021 or 31 December 2020 other than those included in the consolidated statement of comprehensive income.

The notes on pages 18 to 39 form an integral part of these financial statements.

Cambridge Mercantile Corp. (UK) Limited

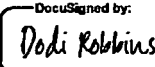
Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	7	17	43
Current assets			
Debtors: amounts falling due within one year	9	197,056	15,139
Derivative financial assets	12	33,049	30,086
Deferred tax asset		-	4
Cash and cash equivalents	10	9,918	1,348
		<u>240,023</u>	<u>46,577</u>
Corporate tax payable		79	(31)
Creditors: amounts falling due within one year	11	(206,891)	(24,983)
Derivative financial liabilities	12	(12,202)	(6,326)
		<u>(219,014)</u>	<u>(31,340)</u>
Net current assets		<u>21,009</u>	<u>15,237</u>
Total assets less current liabilities		21,026	15,280
Long-term Assets			
Long-term AFEX Intercompany		116,858	-
Long-term Liabilities			
Intercompany Notes Payable		(116,858)	-
Net Long-term assets		<u>-</u>	<u>-</u>
Provisions for liabilities			
Deferred tax liabilities		(3)	(8)
		<u>(3)</u>	<u>(8)</u>
Net assets		<u>21,023</u>	<u>15,272</u>
Capital and reserves			
Called up share capital	13	1,500	1,500
Capital contribution	13	72	-
Retained earnings		<u>19,451</u>	<u>13,772</u>
		<u>21,023</u>	<u>15,272</u>

The notes on pages 18 to 39 form an integral part of these financial statements.

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

DocuSigned by:

 DODI03AEBFCE484...
 Dorit Robbins
 Director
 Date: 8 December 2022

Cambridge Mercantile Corp. (UK) Limited


Company Statement of Financial Position

As at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	7	17	43
Investments	8	325	325
		<u>342</u>	<u>368</u>
Current assets			
Debtors: amounts falling due within one year	9	192,325	14,237
Derivative financial assets	12	7,201	6,247
Deferred tax receivable		-	4
Cash and cash equivalents	10	9,613	1,033
		<u>209,139</u>	<u>21,521</u>
Corporate tax payable		(45)	(61)
Creditors: amounts falling due within one year	11	(195,699)	(14,092)
Derivative financial liabilities	12	(5,991)	(1,147)
		<u>(201,735)</u>	<u>(15,300)</u>
Net current assets		<u>7,404</u>	<u>6,221</u>
Total assets less current liabilities		<u>7,746</u>	<u>6,589</u>
Long-term Assets			
Long-term AFEX Intercompany	15	71,589	-
Long-term Liabilities			
Intercompany Notes Payable	15	(71,589)	-
Net Long-term assets		<u>-</u>	<u>-</u>
Provisions for liabilities			
Deferred tax liabilities		(3)	(8)
		<u>(3)</u>	<u>(8)</u>
Net assets		<u>7,743</u>	<u>6,581</u>
Capital and reserves			
Called up share capital	13	1,500	1,500
Capital contribution	13	72	-
Retained earnings		6,171	5,081
		<u>7,743</u>	<u>6,581</u>

The notes on pages 18 to 39 form an integral part of these financial statements.

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

DocuSigned by:

 Dodi Robbins
 Director
 Date: 8 December 2022

Cambridge Mercantile Corp. (UK) Limited


Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Called up Share Capital £000	Capital Contribution £000	Retained Earnings £000	Total Equity £000
At 1 January 2021	1,500	-	13,772	15,272
Comprehensive income for the year				
Stock based compensation granted by parent	-	72	-	72
Profit for the year	-	-	5,679	5,679
At 31 December 2021	<u>1,500</u>	<u>72</u>	<u>19,451</u>	<u>21,023</u>
At 1 January 2020	1,500	-	7,306	8,806
Comprehensive income for the year				
Profit for the year	-	-	6,466	6,466
At 31 December 2020	<u>1,500</u>	<u>-</u>	<u>13,772</u>	<u>15,272</u>

The notes on pages 18 to 39 form an integral part of these financial statements.

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

DocuSigned by:

 DODI3A8EFCE484...
 Dodi Robbins
 Director
 Date: 8 December 2022

Cambridge Mercantile Corp. (UK) Limited


Company Statement of Changes in Equity

For the year ended 31 December 2021

	Called up Share Capital £000	Capital Contribution £000	Retained Earnings £000	Total Equity £000
At 1 January 2021	1,500	-	5,081	6,581
Comprehensive income for the year				
Stock based compensation granted by parent	-	72	-	72
Profit for the year	-	-	1,090	1,090
At 31 December 2021	<u>1,500</u>	<u>72</u>	<u>6,171</u>	<u>7,743</u>
At 1 January 2020	1,500	-	3,051	4,551
Comprehensive income for the year				
Profit for the year	-	-	2,030	2,030
At 31 December 2020	<u>1,500</u>	<u>-</u>	<u>5,081</u>	<u>6,581</u>

The notes on pages 18 to 39 form an integral part of these financial statements.

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

DocuSigned by:

 DBAD03AEBFCE484...
 Dorit Robbins
 Director
 Date: 8 December 2022

Cambridge Mercantile Corp. (UK) Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021	2020
	£000	£000
Cash flows used in operating activities		
Profit before taxation for the year	7,212	8,006
Adjustments for:		
Income tax expense	(1,533)	(1,540)
Depreciation	27	38
Deferred tax	(1)	(5)
Net changes in debtors	(298,775)	(5,589)
Net changes in creditors	181,907	2,618
Net changes in derivative assets	(2,962)	(14,081)
Net changes in derivative liabilities	5,876	2,648
Corporation tax	(111)	(1,040)
Net cash used in operating activities	(108,360)	(8,945)
Cash flows generated from financing activities		
Stock based compensation	72	-
Intercompany notes payable	116,858	-
Net cash generated from financing activities	116,930	(8,945)
Net increase / (decrease) in cash and cash equivalents	8,570	(8,945)
Cash and cash equivalents at the beginning of the year	1,348	10,293
Cash and cash equivalents at the end of the year	9,918	1,348

Cash outflow from interest for the year ended 31 December 2021 was £41k (2020: £27k)

The notes on pages 18 to 39 form an integral part of these financial statements.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies

1.1 Statement of compliance

Cambridge Mercantile Corp. (UK) Limited (the "Company") is a limited company, registered in England and Wales. Its registered office is 40 Strand Street, 4th Floor, London, WC2N 5RW. The principal accounting policies for the Company are summarised below. They have all been applied consistently throughout the year and preceding year.

1.2 Basis of preparation of financial statements

The financial statements have been prepared on the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies, on the basis that the Group is a going concern and in accordance with UK GAAP, including FRS 102 as issued in March 2018, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. The financial statements are presented in British Pounds, rounded to the nearest thousand (where rounding is applicable).

The Company declares exemption under Companies Act 2006, Section 408 and has elected not to disclose the Company's non-Consolidated Statement of 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.

1.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires directors 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 historical experience, current market conditions and other factors that it believes to be reasonable under the circumstances in applying the Group's accounting policies.

1.4 Basis of consolidation

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

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies (continued)

1.5 Turnover

The Group generates revenue from providing foreign exchange services to customers. The two major categories of revenue include foreign currency revenue and other revenue. Foreign currency revenue is comprised of the difference between sourcing cost and selling price of the currency (foreign currency margin) as well as the revaluation of open foreign exchange positions to market value. Other revenue consists of items such as fees for wire and electronic transfers as well as charges on non-sufficient funds (NSF) cheques.

Total revenue is presented net of certain revenue share arrangements where the Group acts as an agent. Revenue share arrangements provided by the Group where the Group acts in a principal capacity is presented as licensing fee under expenses. The Group works closely with various counterparties in providing third-party global payments and currency settlement services on behalf of its partners or customers through revenue share arrangements. Under FRS 102 23.4, the Group has assessed these revenue share arrangements to determine whether it assumes the primary risk and rewards of a principal or acts as an agent. Factors for consideration include, but are not limited to, reasonable latitude to establish the exchange prices, ultimate responsibility for fulfilling the end services, and potential risks in handling disputes or issues.

Total Group revenue includes foreign currency revenue and other revenue of £30,538k and £503k, respectively (2020: £25,421k and £601k), net of revenue share rebates of £666k (2020: £291k).

Turnover is recognised 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 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 turnover 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.

The Group's performance obligation for its foreign exchange payment services is providing a foreign currency payment to a customer's designated recipient and therefore, the Group recognises revenue on foreign exchange payment services when the underlying payment is made. Revenue earned from spot trade contracts is recognised at a point in time as the Group satisfies its primary performance obligation as outlined above.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies (continued)

1.5 Turnover (continued)

The Group also writes foreign currency forward and option contracts for its customers to facilitate future payments in foreign currencies. The Group recognises revenue at the time an exchange contract is entered into and accepted by both the customer and the Group. The Group may require client deposits against future delivery of the exchanged currency.

1.6 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 charges that are 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 following straight-line method:

Asset	Estimated Useful Life (in Years)	Basis
Computer hardware and software	3 years	Straight line
Furniture and Fixtures	5 years	Straight line
Leasehold improvements	Lease term	Straight line

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. There was no indication of impairment of tangible fixed assets during the year ended 31 December 2021. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.8 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 amortised cost using the effective interest method, less any impairment.

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

For the recorded contractual liabilities with client deals that were past settlement dates, the Group has assessed that only funded deals should be recorded in client deposits.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies (continued)

1.9 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.

1.10 Financial instruments

The Group enters into financial instrument transactions that result in the recognition of financial assets and liabilities such as trade receivables, trade payables and loans to related parties. The Group also writes and purchases derivatives, primarily foreign exchange contracts with various customers, and derives a currency spread from this activity. Derivatives are initially recognised 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 recognised in the consolidated statement of income of the related party, Cambridge Mercantile Corp., which manages the overall portfolio by entering into offsetting contracts with financial institution counterparties. The Group reports its financial assets and liabilities under IFRS 9 Financial Instruments.

Classification and measurement

Financial assets are measured at initial recognition at fair value, and are subsequently classified and measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), or amortised cost. The classification is based on the assessment of two criteria: The Group's business model for managing the financial instruments, and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. Based on the assessment, the Group classifies its financial instruments as follows:

- Trade receivables, payables, as well as 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 are measured at initial recognition at fair value, and are classified and subsequently measured at amortised cost using the effective interest method.
- Derivative foreign exchange contracts are free standing non-hedging derivative financial assets or liabilities. These are measured at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value at the reporting date. Changes in the fair value of derivatives are recognised in profit or loss of the related party, Cambridge Mercantile Corp. which manages the overall portfolio.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies (continued)

1.10 Financial instruments (continued)

Impairment

IFRS 9 requires the Group to recognise an allowance for credit losses (ACL) for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI. The ACL represents an estimate of expected credit losses (ECL) on financial assets as at the balance sheet date, and is calculated as a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. Management has concluded that the expected credit losses are insignificant for these financial assets based on the Group's current risk assessment and historical data. Note 12 describes the Group's financial instruments and risk management in detail.

Fair value hierarchy

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 prioritises 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 maximise the use of observable inputs and minimise the use of unobservable inputs when measuring fair value.

The Group utilizes Level 2 fair value determinations derived from directly or indirectly observable (market based) information to determine the fair value of these financial instruments.

Hedge accounting

The Group does not apply hedge accounting as the Group does not designate any of its foreign exchange derivatives as hedging instruments.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies (continued)

1.11 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term. The Group primarily leases office space and data centres. For contracts entered into on or after the effective date or at the inception of a contract, the Company assessed whether the contract is, or contains, a lease. The assessment is based on: (1) whether the contract involves the use of a distinct identified asset; (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the period; and (3) whether the Company has the right to direct the use of the asset. The contract contains a lease if all three criteria are met.

1.12 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

1.13 Provisions for liabilities

A provision is a liability of uncertain timing or amount. The liability may be a legal obligation or a constructive obligation. A provision is recorded if it is probable that an outflow of cash or other economic resources will be required to settle the provision, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of 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 recorded against the provision carried in the Statement of Financial Position.

1.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax.

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 recognised 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.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies (continued)

1.14 Current and deferred taxation (continued)

Deferred tax balances are not recognised with respect to permanent differences except in business combinations, when deferred tax is recognised 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. Deferred tax asset / (liability) is presented as a separate line item in the Statement of Financial Position, rather than combined with Debtors / (Creditors).

1.15 Capital management

The Group's capital management objective is to maximise shareholder returns while ensuring that the Group is capitalised in a manner which appropriately supports regulatory requirements, working capital needs and other strategic objectives. The capital of the Group consists of shareholder's equity, which includes called up share capital and retained earnings.

1.16 Remeasurement of foreign currencies

The functional currency of the Group is the British Pound. Accordingly, transactions that are denominated in foreign currencies are remeasured into British Pounds at exchange rates in effect on the date of the transactions. Monetary items are remeasured into British Pounds at the exchange rate in effect at the balance sheet date. Foreign exchange gains and losses are recorded in the Consolidated Statement of Comprehensive Income for the year.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

2. Profit before taxation

Profit before taxation is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets	<u>27</u>	<u>38</u>

3. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Group's auditor for the audit of the Company's annual financial statements	44	44
Fees payable to the Group's auditor for the audit of the Subsidiary financial statements	<u>12</u>	<u>12</u>
	<u>56</u>	<u>56</u>

4. Employees

	2021 £000	2020 £000
Staff costs were as follows:		
Wages and salaries	<u>6,278</u>	<u>4,227</u>
	<u>6,278</u>	<u>4,227</u>

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

	2021 No.	2020 No.
Operations	12	11
Management	4	4
Sales	<u>51</u>	<u>48</u>
	<u>67</u>	<u>63</u>

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

5. Director's remuneration

The highest paid director received remuneration of £542k (2020: £413k) and was paid by Cambridge Mercantile Corp. (UK) Limited. An additional director received remuneration of £36k (2020: £41k) for services rendered as director of Cambridge Mercantile Corp. (UK) Limited and was paid by Cambridge Mercantile Corp.

6. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	1,513	1,521
Adjustment in relation to prior period	21	24
Total current tax	1,534	1,545
Deferred tax for the year	(5)	(10)
Deferred tax in relation to prior period	4	5
Total deferred tax	(1)	(5)
Taxation on profit on ordinary activities	1,533	1,540

Factors affecting tax charge for the year

The tax assessed for the year is the same as the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	7,212	8,006
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,370	1,521
Effects of:		
Expenses not deductible / (income not taxable) for tax purposes	139	(10)
Prior period adjustments	24	29
Rate change adjustment	-	-
Total tax charge for the year	1,533	1,540

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

6. Taxation (continued)

Factors that may affect future tax charges

The Group's deferred tax assets and liabilities are subject to change depending on future income tax rates. For 2021, the Group applied 19% as the rate expected to be in effect or substantially enacted at the time temporary differences are reversed. In 2020 the Group applied 19%.

Total income tax charge for the year includes prior period adjustments of £21k, due to an under provision of income tax in 2020.

7. Tangible assets

Group and Company

	Computer Hardware	Furniture and Fixtures	Leasehold Property	Total
	£000	£000	£000	£000
Cost				
At 1 January 2021	68	26	16	110
Additions	1	-	-	1
Write-offs	-	(4)	-	(4)
At 31 December 2021	<u>69</u>	<u>22</u>	<u>16</u>	<u>107</u>
Depreciation				
At 1 January 2021	44	8	15	67
Depreciation for the year	18	8	1	27
Write-offs	-	(4)	-	(4)
At 31 December 2021	<u>62</u>	<u>12</u>	<u>16</u>	<u>90</u>
Net book value				
At 31 December 2021	<u>7</u>	<u>10</u>	<u>-</u>	<u>17</u>
At 31 December 2020	<u>24</u>	<u>18</u>	<u>1</u>	<u>43</u>

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

8. Investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of Shares	Holding	Principal Activity
Cambridge Mercantile Risk Management (UK) Ltd. 40 Strand Street, 4th Floor London, WC2N 5RW	Ordinary	100%	Foreign Exchange

Company

	Investments in subsidiary Companies £000
Cost	
At 1 January 2021	<u>325</u>
At 31 December 2021	<u>325</u>
Net book value	
At 1 January 2021	<u>325</u>
At 31 December 2021	<u>325</u>

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

9. Debtors: Amounts falling due within one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade debtors	21,984	14,386	17,920	13,484
Amounts due from group undertakings	174,915	566	174,248	566
Prepayments and accrued income	157	187	157	187
	<u>197,056</u>	<u>15,139</u>	<u>192,325</u>	<u>14,237</u>

10. Cash and cash equivalents

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Cash at bank and in hand	<u>9,918</u>	<u>1,348</u>	<u>9,613</u>	<u>1,033</u>

11. Creditors: Amounts falling due within one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade creditors	(76,295)	(11,165)	(72,634)	(10,977)
VAT tax payable	(67)	(197)	(17)	(148)
Amounts owed to group undertakings	(126,940)	(12,330)	(119,774)	(1,859)
Accruals and deferred income	(3,589)	(1,291)	(3,269)	(1,108)
	<u>(206,891)</u>	<u>(24,983)</u>	<u>(195,694)</u>	<u>(14,092)</u>

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

12. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The Group recognises its financial assets and liabilities when it becomes party to a contractual arrangement. 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 balance sheet date.

Carrying values of financial instruments

The following table sets out the carrying values of financial assets and financial liabilities. The Group considers the carrying values of these financial assets and liabilities to reflect their respective fair values at the balance sheet date due to the short-term nature of the instruments.

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Financial assets				
Financial assets measured at fair value through profit and loss	33,049	30,086	7,201	6,247
Cash and cash equivalents	9,918	1,348	9,613	1,033
Financial assets measured at amortised cost	403,307	16,393	353,306	15,492
	<u>446,274</u>	<u>47,827</u>	<u>370,120</u>	<u>22,772</u>
Financial liabilities				
Financial liabilities measured at fair value through profit and loss	(12,202)	(6,326)	(5,991)	(1,147)
Financial liabilities measured at amortised cost	(413,135)	(24,786)	(356,719)	(13,944)
	<u>(425,337)</u>	<u>(31,112)</u>	<u>(362,710)</u>	<u>(15,091)</u>

Financial risk management

Operational risk analysis

Operational risk is the risk of loss resulting from external events, or from inadequate or failed internal processes, including technology and human activities. This definition includes legal risk. Operational risk is inherent in all of the Group's business activities, including the practices and controls used to manage other risks such as credit, market, and liquidity risk. Failure to manage operational risk can result in financial loss (direct or indirect), reputational harm, or regulatory censure and penalties. The Group actively mitigates and manages operational risk through internal policies and procedures.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

12. Financial instruments (continued)

Financial risk management (continued)

Credit risk analysis

The primary credit risk represents the possibility that a loss may occur from the non-performance of a counterparty. The Group performs reviews of the credit risk of these counterparties at the inception of the contracts and on an ongoing basis.

The Group anticipates that its counterparties will be able to fully satisfy their obligations under the agreements, but takes actions when doubt arises about the counterparties' ability to perform. These actions may include collateral requirements, exposure limits, or possible termination of the related contracts. Further, the Group also monitors the concentration of its contracts with any individual counterparty.

Effective 3 December 2021, the Company entered into a Sale Agreement (the "Agreement") to effectuate a reorganization for post-acquisition integration and efficiency of the group. The Company issued an unsecured debenture (the "Note") in the principal amount £71,588,655, maturing on 3 December 2031, in exchange for certain assets and liabilities of AFEX on the terms and subject to the conditions set for in the Agreement. An intercompany receivable was recorded to account for the transfer of certain assets and liabilities in exchange for a corresponding intercompany note payable. Fleetcor has agreed to guarantee and indemnify such intercompany arrangement in the manner set out in the Guarantee Agreement.

Liquidity risk analysis

Liquidity risk is the risk that the Group will not have sufficient funds to fulfil its obligations on a timely basis or at a reasonable cost. The Group manages its liquidity needs through forecasts which are reviewed regularly to ensure sufficient funds exist to finance the Group's current operational and investment cash flow requirements.

Market risk analysis

Market risk is the exposure to adverse changes in the value of the Group's financial instruments as a result of changes in market prices or volatility.

Foreign currency risk

The Group undertakes purchase and sale 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. The Group's hedged foreign currency exposures are in liquid currencies; consequently, there is minimal risk that appropriate derivatives to maintain the hedging program would not be available in the future. The Group does not designate any of its foreign exchange derivatives as hedging instruments.

Interest rate risk

The Group is not directly exposed to significant interest rate risk given the short-term nature of the financial instruments. No interest is accrued on cash at bank, trade receivables and trade payables. Trade payables, client deposits and the amounts due to related parties are non-interest bearing financial instruments.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

12. Financial instruments (continued)

Financial risk management (continued)

Market risk analysis (continued)

Other price risk

The Group is not exposed to any other significant price risk.

Financial risk management (continued)

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to its shareholder and maintaining capital adequacy in accordance with its regulatory obligations. The Group is in compliance with regulatory requirements. Capital is monitored on a quarterly basis by the directors. The capital structure of the Group consists of called up share capital and retained earnings.

Derivative Financial Instruments

The Group 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.

Option contracts give the purchaser the right, but not the obligation to buy or sell within a specified timeframe at a contract price, which may be settled in cash. Forward contracts are commitments to buy or sell a currency at a contract price on a future date that will be settled in cash.

The aggregate notional amounts of foreign exchange derivative contracts held by the Group are presented in the table below:

	2021 £000	2020 £000
Futures & forwards	561,550	258,471
Written options	1,206,830	464,779
Purchased options	1,246,280	456,190
Total derivative assets and liabilities	3,014,661	1,179,440

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

12. Financial instruments (continued)

Derivative Financial Instruments (continued)

The 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 summarises the fair value of derivatives reported in the Consolidated Statement of Financial Position as of 31 December 2021:

	Fair Value 31 December 2021	
	Derivative Assets £000	Derivative Liabilities £000
Derivatives - undesignated:		
Over the counter	33,049	12,202
Foreign exchange contracts	33,049	12,202
Cash collateral received	(3,806)	-
Total net derivatives	29,243	12,202

The following table summarises the fair value of derivatives reported in the Consolidated Statement of Financial Position as of 31 December 2020:

	Fair Value 31 December 2020	
	Derivative Assets £000	Derivative Liabilities £000
Derivatives - undesignated:		
Over the counter	30,086	6,326
Foreign exchange contracts	30,086	6,326
Cash collateral received	(1,942)	-
Total net derivatives	28,144	6,326

The Group recognises all derivative contracts as derivative assets and derivative liabilities in the Statement of Financial Position at fair value. The fair value represents what would be received or paid by the Group if the contracts were terminated as of the reporting date.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

12. Financial instruments (continued)

Derivative Financial Instruments (continued)

Any foreign exchange contracts with netting terms that the Group believes to be legally enforceable have been netted to present the Group's net exposure with these counterparties at a deal level. The Group may be exposed to risk from derivative contracts written to its customers arising from its cross-currency payments operations, which are not designated as hedging instruments. Cambridge Mercantile Corp. aggregates its foreign currency exposures arising from customer contracts and manages the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties (economic hedge contracts) as part of its broader foreign currency portfolio, including spot exchanges of currencies in addition to forwards and options. The changes in fair values related to these contracts are recorded in the Statement of Income and Comprehensive Income by Cambridge Mercantile Corp.

The Group receives cash from counterparties as collateral for trade exposures. The counterparty has the right to recall collateral in the event they unwind all outstanding trades, cease to do business with the Group, or exposures move in their favour. On the other hand, Cambridge Mercantile Corp. posts cash collateral with financial institution counterparties. The Group does not further offset fair value of these derivative contracts by the right to reclaim cash collateral or the obligation to post cash collateral. At 31 December 2021, derivative assets of £33,049k (2020: £30,086k) and derivative liabilities of £12,202k (2020: £6,326k) were recorded on the Statement of Financial Position.

Fair value measurements

As described in Note 1, The Group utilizes Level 2 fair value determinations derived from directly or indirectly observable (market based) information to determine the fair value of these financial instruments. The fair values of these foreign exchange derivatives are estimated using exchange rates, quotes, and other market inputs directly or indirectly observable for similar assets or liabilities. The fair value represents the net settlement by the Group if the contracts were terminated as of the reporting date. The changes in fair value are recognised by Cambridge Mercantile Corp. which manages the group portfolio. These changes are recorded by the Group thorough related party balances in the Statement of Financial Position. Cash collateral received for foreign exchange derivatives is not recorded on the Statement of Financial Position at 31 December 2021 as the Group does not have title to the collateral. No cash collateral was paid for foreign exchange derivatives at 31 December 2021 (2020: £NIL)

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

12. Financial instruments (continued)

Fair value measurements (continued)

The following table presents the Group's financial assets and liabilities which are measured at fair values on a recurring basis as of 31 December 2021.

31 December 2021	Fair Value £000	Level 1 £000	Level 2 £000	Level 3 £000
Assets				
Foreign exchange derivatives	33,049	-	33,049	-
Total assets	33,049	-	33,049	-
Cash collateral received	3,806	3,806	-	-
Liabilities				
Foreign exchange derivatives	12,202	-	12,202	-
Total liabilities	12,202	-	12,202	-
Cash collateral paid	-	-	-	-

The following table presents the Group's financial assets and liabilities which are measured at fair values on a recurring basis as of 31 December 2020.

31 December 2020	Fair Value £000	Level 1 £000	Level 2 £000	Level 3 £000
Assets				
Foreign exchange derivatives	30,086	-	30,086	-
Total assets	30,086	-	30,086	-
Cash collateral received	1,942	1,942	-	-
Liabilities				
Foreign exchange derivatives	6,326	-	6,326	-
Total liabilities	6,326	-	6,326	-
Cash collateral paid	-	-	-	-

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

13. Capital

	2021	2020
	£000	£000
Allotted, called up and fully paid		
1,500,000 Ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>

Stock-based compensation

The Group's parent, FLEETCOR Technologies, Inc., grants stock-based awards to certain Group personnel. It is the parent's policy to charge the related stock-based compensation to the Group. In the opinion of management, this method of allocation is reasonable.

Stock options are granted with an exercise price estimated to be equal to the fair market value on the date of grant as authorised by FLEETCOR Technologies, Inc. Board of Directors. Options granted have vesting provisions ranging from one to five years and vesting of the options is generally based on the passage of time or performance. Stock option grants are subject to forfeiture if employment terminates prior to vesting. The Group has selected the Black-Scholes option pricing model for estimating the grant date fair value of stock option awards. The Group has considered the retirement and forfeiture provisions of the options and utilised its historical experience to estimate the expected life of the options. Option forfeitures are accounted for upon occurrence. The Group bases the risk-free interest rate on the yield of a zero-coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. Stock-based compensation cost is measured at the grant date based on the value of the award and is recognised in Shareholder's equity over the requisite service period based on the number of years over which the requisite service is expected to be rendered.

Awards of restricted stock and restricted stock units are independent of stock option grants and are subject to forfeiture if employment terminates prior to vesting. The vesting of shares granted is generally based on the passage of time, performance or market conditions, or a combination of these. Shares vesting based on the passage of time have vesting provisions of one to four years. The fair value of restricted stock where the shares vest based on the passage of time or performance is based on the grant date fair value of FLEETCOR's stock. The fair value of restricted stock units granted with market based vesting conditions is estimated using the Monte Carlo simulation valuation model. The risk-free interest rate and volatility assumptions used within the Monte Carlo simulation valuation model are calculated consistently with those applied in the Black-Scholes options pricing model utilised in determining the fair value of the stock option awards.

For performance-based restricted stock awards and performance-based stock option awards, the Group must also make assumptions regarding the likelihood of achieving performance goals. If actual results differ significantly from these estimates, stock-based compensation could be affected.

During the fiscal year ended 31 December 2021, the Group recognised stock-based compensation expense of £72k (2020 - £Nil). The offset was recorded in capital contribution in the Consolidated and Company Statement of Changes in Shareholder's Equity as the awards are equity settled.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

14. Commitments under operating leases

At 31 December 2021 the Group and the Company had future minimum lease payments for office rentals under non-cancellable operating leases as follows:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Not later than 1 year	24	216	24	216
Later than 1 year and not later than 5 years	-	24	-	24
	<u>24</u>	<u>240</u>	<u>24</u>	<u>240</u>

The Group recognised £199k in expenses related to lease payments for the year ended 31 December 2021 (2020: £176k).

15. Related party transactions

Due from related parties

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
a) Short-term				
AFEX Markets PLC (UK)	677	-	-	-
AFEX Markets Europe Limited	-	-	10	-
Associated Foreign Exchange Limited (UK)	31,120	-	31,120	-
Corpay One, Inc.	24	-	24	-
FLEETCOR Technologies, Inc.	142,146	-	142,146	-
TA Connections UK Ltd.	949	566	949	566
b) Long-term				
AFEX Markets PLC (UK)	45,269	-	-	-
Associated Foreign Exchange Limited (UK)	71,589	-	71,589	-
	<u>291,774</u>	<u>566</u>	<u>245,838</u>	<u>566</u>

The short-term amounts due from AFEX Markets PLC (UK), AFEX Markets Europe Limited, Associated Foreign Exchange Limited (UK), Corpay One, Inc., FLEETCOR Technologies, Inc., and TA Connections UK Ltd are unsecured and non-interest bearing and has no fixed terms of repayment.

The long-term amounts due from AFEX Markets PLC (UK) and Associated Foreign Exchange Limited (UK) are unsecured and non-interest bearing and has no fixed terms of repayment.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

15. Related party transactions (continued)

Due to related parties

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
a) Short-term				
AFEX Markets PLC (UK)	8,754	-	8,754	-
AFEX Markets Europe Limited	548	-	-	-
Associated Foreign Exchange Ireland Limited	81,171	-	81,171	-
Cambridge Mercantile Corp.	36,467	11,851	29,850	1,380
FLEETCOR Technologies, Inc.	-	479	-	479
b) Long-term				
AFEX Markets PLC (UK)	45,269	-	-	-
Associated Foreign Exchange Limited (UK)	71,589	-	71,589	-
	<u>243,798</u>	<u>12,330</u>	<u>191,364</u>	<u>1,859</u>

The short-term amounts due to AFEX Markets PLC (UK), AFEX Markets Europe Limited, Associated Foreign Exchange Ireland Limited, and Cambridge Mercantile Corp. are unsecured and non-interest bearing and has no fixed terms of repayment.

The long-term amounts due to AFEX Markets PLC (UK) and Associated Foreign Exchange Limited (UK) are unsecured and interest bearing (3.55%) and are due 3 December 2031.

16. Revenue share arrangements

The Group works closely with various counterparties in providing third-party global payments and currency settlement services on behalf of its partners or customers through revenue share arrangements. Under FRS 102 23.4, the Group has assessed these revenue share arrangements to determine whether it assumes the primary risk and rewards of a principal or merely acts as an agent. Factors for consideration include, but are not limited to, reasonable latitude to establish the exchange prices, ultimate responsibility for fulfilling the end services, and potential risks in handling disputes or issues. For the fiscal year ended 31 December 2021, revenue share of £666k (2020: £291k) was paid by the Group to these partners in an agency capacity. Revenue share is presented on a net basis in the Group's total revenue within the Statement of Comprehensive Income.

Cambridge Mercantile Corp. (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2021

17. Ultimate parent undertaking and controlling party

The ultimate controlling party is considered to be FLEETCOR Technologies, Inc., a publicly traded Delaware corporation based in Atlanta, Georgia, United States.

18. Post Statement of Financial Position events

On 24 February 2022, Russia invaded Ukraine. The directors have considered the impact of this event on the financial statements and have determined that no adjustments are required as the company does not trade in either of these regions and has very limited credit risk exposure.

The Company evaluated all subsequent events through 8 December 2022, the date of issuance of the Company's financial statements. No significant events occurred subsequent to the balance sheet date and prior to the issuance of the financial statements that would have a material impact on the financial results of the Company.

19. Capital Requirements Directive IV ("CRD IV") – Country by Country Reporting

Cambridge Mercantile Corp. (UK) Limited (the "Company") is a limited company, registered in England and Wales. Its registered office is 40 Strand Street, 4th Floor, London, WC2N 5RW. Cambridge Mercantile Risk Management (UK) Ltd is a subsidiary of the Company. The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they formed a single entity.

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

	2021 No.	2020 No.
Operations	12	11
Management	4	4
Sales	51	48
	<u>67</u>	<u>63</u>

During 2021, the Group processed approximately 59,949 transactions (2020: 66,811) representing over £3,166 million in FX volume (2020: £2,586 million in FX volume). The Group's revenue was £30,376k (2020: £25,731k) and net profit of £5,679k (2020: Profit of £6,466k).

During the period of 1 January 2021 to 31 December 2021, the Group paid a total corporate tax of £1,646k (2020: £2,584k).

The Group falls within the scope of these regulations. All of the Group's activities for the year ended 31 December 2021 (2020: all) took place within the United Kingdom and the European Union.