



FNZ (UK) Ltd

Annual Report and Financial Statements

For the Year Ended 31 December 2014

Company Number: 05435760



Annual Report and Financial Statements for the year ended 31 December 2014

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Company Information

Directors

Adrian Durham

Vivienne Sacco

John Tomlins

Graeme Hardie

Christian Dougal

Company Secretary

Jordan Company Secretaries Limited

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

Registered Office

20-22 Bedford Row,

London,

WC1R 4JS

Company Registration Number

05435760

Strategic Report for the year ended 31 December 2014

The Directors present their strategic report on FNZ (UK) Ltd (the "Company") for the year ended 31 December 2014.

Review of the Business

FNZ (UK) Ltd is the UK operating subsidiary of the FNZ Group (the ultimate parent company being Kiwi Holdco CayCo, Ltd) which provides trade execution and custody services through its market leading software in the financial services sector. FNZ (UK) Ltd delivered strong year-on-year growth in Assets under Administration (+24%) and associated growth in servicing revenue (+14%). This primarily reflected strong growth in the UK IFA platforms powered by FNZ (UK) Ltd which offer competitive advantage in the evolving financial services market (post Retail Distribution Review). Revenue from new customer implementations increased by 45% in 2014.

In 2014 FNZ (UK) Ltd further increased its investment in core platform development in a range of medium and long-term projects to ensure it remains a leading provider of wealth platform services. This included:

- Medium to long-term production innovation;
- Core product scalability and operational control framework;
- New products & services; and
- Appointment of new senior leadership team members.

This reflects our positive long-term outlook on the opportunities for growth in Assets under Administration in the UK, driven by a combination of auto-enrolment and legislative changes that remove the need for obligatory annuities. FNZ (UK) Ltd achieved a profit for the year of £1.6m (2013: £4.3m loss). FNZ (UK) Ltd and its shareholders remain focussed on growth opportunities and the FNZ Group will continue to invest in product development to ensure that it is the primary beneficiary of future asset growth on platforms.

Going Concern

FNZ (UK) Ltd's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of Business above. The Directors have reviewed the Company's financial position, its forecasts, cash-flows, liquidity and borrowing facilities.

The Directors of FNZ (UK) Ltd are satisfied that the ultimate parent company will provide financial support to the Company should it be required, and the Board holds evidence to this effect. The Directors have considered the impact of various adverse scenarios on forecast liquidity including: (1) significant delays in material receipts; (2) significant market down-turn and (3) failure to win new business.

Having performed this review and considered the impact on forecast liquidity and taking account of reasonable mitigating actions available to management, together with the assurances provided by the shareholders of Kiwi Holdco CayCo, Ltd the Directors are satisfied that FNZ (UK) Ltd has access to sufficient resources to meet its liabilities for the foreseeable future and therefore the Directors have confirmed that the accounts should be prepared on a going concern basis.

Financing and Covenants

Renegotiation of debt facility - a new banking facility became effective on 19 December 2014. The facility comprises a £35m fixed term loan and a £5m revolving credit facility. These facilities sit in FNZ Holdings UK Limited (immediate parent) and have been loaned to FNZ (UK) Ltd via intercompany loans at the interest rate and repayment terms applicable to the originating loan. There are three banking covenants with which Kiwi UK Holdco 1, Ltd (the ultimate company entering into the banking facility) is required to comply. Details of the covenants and the relevant periods are set out below:

- Last Twelve Months (LTM) Service Revenue Ratio, on or after 30 September 2015
- Minimum LTM Service Revenue on or after 30 June 2017
- Cash Liquidity at any time

These covenants are calculated based on the Kiwi UK Holdco 1, Ltd consolidated financial statements.

Key Performance Indicators

The Board regularly reviews key performance indicators (KPI's) including revenue, Profit/(loss) after tax, liquidity and FCA regulatory returns; a summary of selected KPI's are provided in the Directors' report.

Principal Risks and Uncertainties

The management of the business and execution of FNZ (UK) Ltd's strategy are subject to a number of risks. The key business risks and uncertainties affecting FNZ (UK) Ltd relate to competition from other platform providers, operational risks, liquidity risks, financial risk, regulatory risk and the retention of staff. Details of the above risks and their mitigation are further explained in the Directors' report.

Approved by the Board on 24 April 2015 and signed on its behalf by


VIVIENNE SACCO Director

27 April 2015

Directors' Report for the year ended 31 December 2014

The Directors present their report and audited financial statements for the year ended 31 December 2014.

General Information

FNZ (UK) Ltd ("the Company") was established in 2005 to provide trade execution and custody services. FNZ (UK) Nominees Limited, a wholly owned subsidiary, was established in 2005 to provide nominee services. FNZ Wealth Gross Nominees Limited and FNZ Wealth Nominees Limited, both wholly owned subsidiaries, were established in 2013 to provide nominee services. The Company commenced trading on 26 May 2006. FNZ (UK) Ltd is a wholly owned subsidiary of FNZ Holdings UK Limited, a company incorporated in the United Kingdom and for which consolidated group financial statements are prepared. As a result the Company has not prepared consolidated financial statements in accordance with section 400 of the Companies Act 2006.

The ultimate parent company is Kiwi Holdco CayCo, Ltd, an exempted limited company formed under the laws of the Cayman Islands.

	2014 £'000s	2013 £'000s
Result for the Year ended 31 December:		
Revenue	56,646	44,317
Profit/(Loss) for the Year	1,623	(4,305)
Appropriation:		
Profit / (Loss) Transferred to Reserves	1,623	(4,305)

Dividend

In respect of the year ended 31 December 2014, the Directors recommended that no dividend be paid (2013: Nil).

Post Balance Sheet Events

Following a structural review the board of the FNZ Group determined that the business of FNZ (Czechia) s.r.o. should be transferred to FNZ (UK) Ltd by way of an asset sale. The asset sale commenced in December 2014 and is effective from 1 April 2015. FNZ (Czechia) s.r.o was a subsidiary of Kiwi Holdco 2, Ltd and became a branch of FNZ (UK) Ltd on 1 April 2015. The assets were transferred to FNZ (UK) Ltd at book value.

There are no other post balance sheet events affecting the Company.

Directors and their Interests

The Directors of FNZ (UK) Ltd who were in office during the year and up to the date of signing the financial statements were Adrian Durham (appointed 17 December 2014), Vivienne Sacco (appointed 17 October 2014), Christian Dougal, Graeme Hardie and John Tomlins.

Directors who have resigned during 2014 and up to the date of signing the financial statements were Stewart Maclean (resigned 24 January 2014), Laurent Chorna (resigned 20 June 2014), David Page (resigned 16 June 2014) and Martin Jennings (appointed 10 January 2014, resigned 24 February 2015).

None of the Directors have an interest in the Company.

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report. The policy has an indemnity limit of £60m and an excess of £125k is payable on each and every loss.

Donations

Charitable donations of £14,115 were made during 2014 (2013: £1,284). No political donations were made during the year (2013: Nil).

Employees

FNZ (UK) Ltd systematically provides employees with information on matters of concern to them, consulting them regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, since achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its growth. FNZ (UK) Ltd encourages the involvement of employees by means of staff surveys and quarterly business updates.

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining given if necessary.

The Company operates a defined contribution pension scheme where all employees are eligible to participate following auto enrolment in February 2014. The Company may, at their sole discretion, award an employee a bonus payment. This is subject to agreed annual targets including both financial and non-financial being achieved.

Key Performance Indicators

FNZ (UK) Ltd's business objective is to maintain its current position as a leading provider of trade execution and custody services in the UK. This will be achieved through continued development and investment in the platform software and in the services it provides, ensuring its customers have the market leading platform on which to base their business.

The board regularly reviews key performance indicators including revenue, headcount, staff turnover and delivery milestones versus budget. Results in 2014 are also compared against 2013 and business plans. A summary of selected key financial indicators is provided in the table below:

Key Financial Indicator	2014	2013
	£'000s	£'000s
Revenue	56,646	44,317
Profit / (Loss) After Tax	1,623	(4,305)
Cash Balance	7,410	7,315
Overdraft	-	(23,846)
IFPRU 9.1.3 FCA	2.2%	(7.2%)

Research and Development

The Company continues to invest in the ongoing development of both the technology, and the processes and methodologies that underpin its services. The Directors regard the investment in research and development as integral to the continuing success of FNZ (UK) Ltd and essential to ensuring that its customers have access to the most relevant and up to date platforms in the market. The FNZ Group has a dedicated R&D department.

Future Outlook

The external commercial environment is expected to remain competitive in 2015 as further platform providers enter the UK market. The Company returned to profit in the year through focusing on existing client relationships, improving and enhancing the scalability of processes, and by extending the client base by targeting new spaces in the industry and enhancing the functionality of the Company's core platform offering.

Principal Risks and Uncertainties

The management of the business and execution of FNZ (UK) Ltd's strategy are subject to a number of risks. The key business risks and uncertainties affecting FNZ (UK) Ltd relate to competition from other platform providers, operational risks, liquidity risks, financial risk and the retention of staff. As a result of operating in the relatively young platform industry, the Directors recognise that there is an element of risk. However, industry consensus supports the Directors' belief that the industry is both viable and sustainable. Despite challenging market conditions, FNZ (UK) Ltd is continuing to grow both the number of live client platforms and the revenues delivered from these platforms. Another key risk and uncertainty is the estimation of revenue for implementation projects, which is based on estimating the costs to complete and stage of completion. The Directors are satisfied that the estimation technique applied is appropriate.

The principal operational risks within the business include fraud, processing losses and incorrect disclosure of data to customers. Strong governance and controls are utilised to minimise and mitigate these risks. FNZ (UK) Ltd utilises the industry standard 'Three Lines of Defence' model and has formal oversight committees in each - the first line of defence is the Operations Committee, the second line of defence is via the Management Risk & Compliance and the Board Risk & Compliance Committees, and the third line of defence is Internal Audit and the Audit Committee.

The Company is exposed to foreign exchange risk through its global transactions. This risk has been managed through forward exchange contracts entered into on 18 September 2014 for the purchase of Czech Republic Koruna for development work from FNZ (Czechia) s.r.o. (note 18).

A drop in market value of Assets under Administration is a business risk and is mitigated by almost all client contracts including minimum annual fees, not linked to Assets under Administration.

Finally, regulatory risk is mitigated by compliance with Client Asset (CASS) rules which apply directly in respect of custodial activities conducted for all our clients. All staff are provided with CASS training by the Risk & Compliance department. Regulatory risk also arises in relation to compliance with the FCA's capital requirements which are discussed in more detail below.

Regulatory Requirements

Minimum capital resource requirements

FNZ (UK) Ltd is a Prudential sourcebook for Investment Firms (IFPRU) significant regulated company and is required to maintain capital resources equal to or in excess of the base capital requirement of €125k.

FNZ (UK) Ltd is also required to maintain capital resources in excess of its variable capital requirement. The variable capital requirement is defined as the higher of:

- The sum of the credit risk capital requirement and the market risk capital requirement; and
- The fixed overheads requirement.

The total capital as at 31 December 2014 was £18.8m (2013: £23.1m). This was a surplus of £11.7m (2013: £8.9m) over the variable capital requirement of £7.1m (2013: £14.2m). This capital comprises entirely tier 1 funding. Refer to Note 18 of the financial statements for details of the capital.

The Company is regulated by the FCA and maintains capital in line with the Capital Requirements Directive (CRD). Following review by the Executive of the adequacy of its capital position, the Company reports to the FCA and the Board on a quarterly basis. The Directors operate a policy which is designed to ensure that the Company maintains a level of capital that is appropriate for the risks it faces. The Company prepares an ICAAP document at least annually or as required which sets out the amount of risk assessed capital the Company is required to hold.

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Auditor and Disclosure of Information to Auditors

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that ought to have been taken in their duty as Director in order to make themselves aware of any audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

The Board of Directors authorised these financial statements for issue on 24 April 2015.

Approved by the Board and signed on its behalf by

 Director
VIVIENNE SACCO

27 April 2015

Independent auditors' report to the members of FNZ (UK) Ltd

Report on the financial statements

Our opinion

In our opinion, FNZ (UK) Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

FNZ (UK) Ltd's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Caroline Roxburgh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
27 April 2015

Statement of Comprehensive Income for the year ended 31 December 2014

	Note	2014 £'000s	2013 £'000s
Platform Services	4	56,056	42,408
Other Income	4	590	1,909
Revenue		56,646	44,317
Operating Expenses	5	(50,438)	(52,427)
Other Losses		(103)	-
Operating Profit / (Loss)		6,105	(8,110)
Finance Income	7	628	509
Finance Costs	7	(1,874)	(1,541)
Profit / (Loss) before Taxation		4,859	(9,142)
Income Tax (Expense) / Credit	8	(3,236)	4,837
Profit / (Loss) for the Year		1,623	(4,305)

There are no items of comprehensive income, which have not already been presented in arriving at the Profit / (Loss) for the year.

The notes on pages 16-36 form an integral part of the financial statement

Balance Sheet as at 31 December 2014

	Note	2014 £'000s	2013 £'000s
Non-Current Assets			
Deferred Tax Asset	11	1,314	2,100
Property, Plant & Equipment	12	1,888	2,935
Intangible Assets	13	10,267	5,866
Total Non-Current Assets		13,469	10,901
Current Assets			
Cash and Cash Equivalents	9	7,410	7,315
Trade and Other Receivables	10	54,478	41,477
Total Current Assets		61,888	48,792
Total Assets		75,357	59,693
Equity and Liabilities			
Current Liabilities			
Bank Overdraft	9	-	23,846
Trade and Other Payables	15	46,875	9,885
Derivative Financial Instrument	16	103	-
Current Tax Liability		1,662	-
Total Current Liabilities		48,640	33,731
Non-Current Liabilities			
Obligations Under Finance Leases	21	-	868
Total Non-Current Liabilities		-	868
Total Liabilities		48,640	34,599
Equity			
Share Capital	17	1,100	1,100
Redeemable Preference Shares	17	3,790	3,790
Retained Earnings		21,827	20,204
Total Equity		26,717	25,094
Total Equity and Liabilities		75,357	59,693

The Financial statements on pages 12 to 36 were approved by the Board of Directors on 24 April 2015 and signed on its behalf by.

 VIVIENNE SACCO, Director, 27 April 2015

The notes on pages 16-36 form an integral part of the financial statements

Statement of Changes in Equity

		Share Capital	Redeemable Preference Shares	Retained Earnings	Total Equity
	Note	£'000s	£'000s	£'000s	£'000s
Balance 1 January 2013		1,100	3,790	24,509	29,399
Loss for the year		-	-	(4,305)	(4,305)
Balance 31 December 2013	17	1,100	3,790	20,204	25,094
Balance 1 January 2014		1,100	3,790	20,204	25,094
Profit for the year		-	-	1,623	1,623
Balance 31 December 2014	17	1,100	3,790	21,827	26,717

The notes on pages 16-36 form an integral part of the financial statements

Statements of Cash Flows for the year ended 31 December 2014

	Note	2014 £'000s	2013 £'000s
Cash Flows from Operating Activities			
Profit/(Loss) before Tax for the Year		4,859	(9,142)
<i>Adjustments for:</i>			
Interest Income		(628)	(509)
Interest Expense		1,874	1,541
Other Losses		103	-
Foreign Exchange Gain on Operating Activities		4	-
Depreciation and Amortisation		3,753	2,764
Operating Profit / (Loss) before Working Capital Changes		9,965	(5,346)
<i>Changes in Working Capital:</i>			
Receivables and Accrued Income		(12,383)	13,346
Prepayments and Other Debtors		(970)	560
Trade and Other Payables		9,993	1,918
Net Intercompany Transactions		49,941	(4,193)
Total Changes in Working Capital		46,581	11,631
<i>Cash Received / (Paid):</i>			
Taxation Received/(Paid) in Cash		1,306	(5,042)
Total Cash Received/(Paid)		1,306	(5,042)
Net Cash Generated from Operating Activities		57,852	1,243
Cash Flows from Investing Activities			
Purchase of Property, Plant & Equipment		(715)	(1,120)
Disposal of Property, Plant & Equipment		44	-
Addition to Intangible Assets		(6,676)	(4,746)
Disposal of Intangible Assets		240	86
Net Cash Used in Investing Activities		(7,107)	(5,780)
Cash Flows from Financing Activities			
Interest Paid in Cash		(1,862)	(1,529)
Facility Drawdown		829	-
Repayment of Facility		(24,675)	-
Drawdown on Finance Leases Net of Repayments		(1,096)	(1,013)
Net Cash used in Financing Activities		(26,804)	(2,542)
Net Increase/(Decrease) in Cash and Cash Equivalents		23,941	(7,079)
Cash and Cash equivalents at 1 January		(16,531)	(9,452)
Cash and Cash Equivalents at 31 December	9	7,410	(16,531)
Represented By:			
Cash	9	7,410	7,315
Bank Overdraft Facility	9	-	(23,846)
		7,410	(16,531)

The notes on pages 16-36 form an integral part of the financial statements

Notes to the Financial Statements for the year ended 31 December 2014

1. General Information

FNZ (UK) Ltd's principal activity is to provide trade execution and custody services through its market leading software in the financial services sector. The Company is incorporated and domiciled in England and Wales with the registered address 20-22 Bedford Row, London, WC1R 4JS and company number 05435760. The Company is regulated by the Financial Conduct Authority (FCA) in the United Kingdom (registration number: 438687).

The ultimate parent company at 31 December 2014 was Kiwi Holdco CayCo, Ltd, an exempted limited company formed under the laws of the Cayman Islands.

2. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Presentation

These financial statements have been prepared in accordance with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

In accordance with IAS1 'Preparation of Financial Statements', assets and liabilities on the balance sheet are presented in accordance with management's estimated order of liquidity.

The financial statements have been prepared on the historical cost basis, except for the fair valuation of the derivative financial instruments.

(b) Exemption from Consolidation

Consolidated financial statements have been prepared for FNZ Holdings UK Limited, the Company's immediate parent company and Kiwi Holdco CayCo, Ltd the Company's ultimate parent company. These are the smallest and largest groups to consolidate and copies of the consolidated financial statements can be obtained from Jordan Company Secretaries Limited, 20-22 Bedford Row, London, WC1R 4JS and Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands, British West Indies respectively. Therefore consolidated financial statements are not required to be prepared for FNZ (UK) Ltd.

(c) Going Concern

FNZ (UK) Ltd's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review of Business above. The Directors have reviewed the Company's financial position, its forecasts, cash-flows, liquidity and borrowing facilities.

The Directors of FNZ (UK) Ltd are satisfied that the ultimate parent company will provide financial support to the Company should it be required, and the Board holds evidence to this effect. The Directors have considered the impact of various adverse scenarios on forecast liquidity including: (1) significant delays in material receipts; (2) significant market down-turn and (3) failure to win new business.

Going Concern (continued)

Having performed this review and considered the impact on forecast liquidity and taking account of reasonable mitigating actions available to management, together with the assurances provided by the shareholders of Kiwi Holdco CayCo, Ltd the Directors are satisfied that FNZ (UK) Ltd has access to sufficient resources to meet its liabilities for the foreseeable future and therefore the Directors have confirmed that the accounts should be prepared on a going concern basis.

(d) Revenue Recognition

FNZ (UK) Ltd's revenue relates to the following three types of transactions:

i. Implementation Revenue

These are services provided to clients for the development and configuration of custody service platforms. Due to the nature of these projects (which include enhancements to existing clients' platforms) taking multiple periods, the revenue is recognised on a stage of completion basis. The percentage cost to complete method is used, where the costs incurred to date on the project are calculated as a percentage of the total estimated costs over the life of the project.

The total estimated cost for the project is the sum of the direct configuration and integration costs to deliver the proposition, and the direct allocation of core cost, applicable to the project and implemented. "Core Cost" relates to the expense incurred in the development of the Single Global Core Product Suite. All costs are calculated based on a project management tool which is updated regularly for all activities of project staff.

Revenue is recognised net of VAT and in accordance with IAS18 in proportion to the work or services which have been performed, based upon legally binding agreements and the specific terms of each customer contract. Where, in the opinion of the Directors, there is uncertainty over collectability of an amount already included in revenue, an impairment allowance is recognised separately as an expense.

Deferred Income

Cash received in advance of meeting the revenue recognition criteria is held as deferred income on the balance sheet and is released to the statement of comprehensive income as the revenue recognition criteria are met.

ii. Asset Servicing

These are services related to the provision of ongoing dealing, pricing and custodial services via the use of FNZ platforms. Revenue is recognised based on Assets Under Administration (AUA) and in accordance with provisions set out in the underlying client agreements.

Fees are calculated on either (a) monthly minimum fees or (b) fees calculated by applying contracted basis points to the AUA on the platform. These fees are charged or accrued monthly.

iii. Management Services Recharges

Some functions performed by the Company's staff are done so on behalf of other operating companies within the Kiwi Holdco CayCo, Ltd group. These people and other costs are recharged on a cost plus basis by the Company to the other operating companies.

The recharge revenue is included in the other income line on the Statement of Comprehensive Income.

(e) Finance Income and Cost

Finance income and finance cost are recognised on an accruals basis according to the contractual obligations agreed over the full contractual term. No finance costs have been capitalised during the year.

(f) Foreign Currency Translation

Foreign currency transactions are translated into the Company's functional currency (GBP) using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(g) Derivative Financial Instruments

Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. Fair value gains and losses are recognised in the statement of comprehensive income.

(h) Leases

Operating Leases

Some leases have been classified as operating leases because the risks and rewards incidental with ownership of the assets have not been transferred to the Company. The total payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Finance Leases

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the statement of comprehensive income.

(i) Royalty Fees

These are fees incurred by the Company for the use of existing intellectual property ("IP") held by the IP companies inside the Kiwi UK Holdco 1, Ltd Group. The fee is calculated and invoiced on a yearly basis. The royalty fee expense is included in operating expenses on the statement of comprehensive income and in the notes to the financial statements.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the balance sheet date. All cash or cash equivalent balances disclosed in the balance sheet are available for use by the Company.

Cash consists of cash at hand and cash equivalents consist of term deposits. All term deposits have maturity of one month from the date of deposit, are highly liquid and convertible into known amounts of cash. These are subject to insignificant risk of change.

(k) Property, Plant and Equipment

Property, Plant and Equipment (PP&E) comprises computer & other equipment and fixtures, fittings & furnishings and is carried at cost less accumulated depreciation and any recognised impairment loss. PP&E is depreciated using the straight line method over the estimated useful lives of the assets:

- Computers & other equipment: 3 years
- Fixtures, Fittings & Furnishings: 3-5 years

Throughout the year and at each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. There have been no adjustments to the assets' residual values and useful lives during the year under review.

(l) Intangible Assets

Intangible assets comprise internally generated intellectual property (IP) and acquired software licences and are carried at cost less accumulated amortisation and any recognised impairment loss.

The straight line method is applied to acquired intangible assets and the useful lives are typically either 2 or 3 years. All intangibles have a finite life. Where the software is an integral part of a computer or other equipment it is treated as property, plant and equipment. In these instances, amortisation is charged on the asset as a whole. Amortisation is included within Operating Expenses as disclosed in Note 5.

The IP assets are carried at cost less accumulated amortisation and any recognised impairment loss. The straight line method is applied to IP assets and the useful life is 6 years.

Throughout the year and at each balance sheet date, the Company reviews the carrying amounts of its IP assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, which is recognised as an expense immediately.

(m) Trade and Other Receivables

Trade and other receivables do not carry any interest (except intercompany receivables) and are accounted for at issue date. Trade and other receivables are carried at original invoice amount less an allowance made for impairment of these receivables. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The carrying amount of the asset is reduced through the use of this impairment allowance and the amount of the loss is recognised in the Statement of Comprehensive Income. In future years the unwinding of the discount is recognised within finance income. Please also refer to note 7.

(n) Trade and Other Payables

Trade and other payables are not interest bearing (except intercompany payables and obligations under finance leases) and are stated at their nominal value. Please also refer to note 7.

(o) Intercompany Receivables and Payables

Intercompany receivables and payables are interest bearing and are carried at the original value plus cumulative interest. Interest applied to intercompany balances with the exception of the bank facility loan is calculated on the base rate plus 150 basis points (2013: base rate plus 150 basis points). The intercompany loan relating to the bank facility is calculated at the originating interest rate applicable to the loan.

(p) Taxation

Corporation Tax is provided on the taxable profits at the standard UK corporation tax rate.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future has occurred at the balance sheet date. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax is measured at the average tax rates that are expected to apply in the years in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis. Deferred tax assets are only recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(q) Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost. The carrying value is reviewed annually for impairment. Where the Directors deem an impairment loss has occurred, the loss is recorded in the Statement of Comprehensive Income.

(r) VAT

As a business involved in the financial services sector, the majority of the services currently supplied by the Company are exempt from UK VAT. However, due to FNZ (UK) Ltd's taxable business activities, together with the fact that it is required to account for UK VAT under the reverse charge procedure in respect of the services it receives from overseas providers, it is registered for UK VAT.

The Statement of Comprehensive Income and Statement of Cash Flows have been prepared on a VAT inclusive basis.

As with expenditure incurred from UK suppliers, accounting for UK VAT under the reverse charge procedure (on services received from abroad) produces in the most part an irrecoverable VAT cost for the Company. The services received from abroad principally comprise development centre and royalty fee transactions with related group companies.

(s) Risk Provision

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the future costs of providing ongoing service support in accordance with the contractual obligations.

3. Critical Accounting Estimates and Judgements

In preparing the Company's financial statements, the Directors have to make judgments on how to apply the Company's accounting policies. The critical judgments that have been made in arriving at the amounts recognised in the financial statements are discussed below:

Implementation Fee Revenue Recognition

These are services provided to clients for the development and configuration of custody service platforms. Due to the nature of these projects (which includes enhancements to existing clients' platforms) taking multiple periods, the revenue is recognised on a stage of completion basis. The percentage cost to complete method is used, where the costs incurred to date on the project are calculated as a percentage of the total costs over the life of the project.

The total estimated cost for the project is the sum of the direct configuration and integration costs to deliver the proposition, and the direct allocation of core cost, applicable to the project and implemented. "Core Cost" relates to the expense incurred in the development of the Single Global Core Product Suite. All costs are calculated based on a project management tool which is updated regularly for all activities of project staff.

The Company determines the stage of completion based on the costs incurred to date as a percentage of the total project costs, which is in accordance with the revenue accounting standard, IAS 18. To calculate the stage of completion on a project, the Directors assess the accuracy of the forecast costs to complete the project.

IP Capitalisation

Costs incurred in developing the core platform are capitalised as intellectual property when it is identified that they will provide future economic benefits to the Company.

4. Revenue

	2014 £'000s	2013 £'000s
Platform Servicing:		
Implementation Fees	35,597	24,501
Asset Servicing Fees	20,459	17,907
Other income:		
Management Services Recharge	590	1,909
Total Revenue	56,646	44,317

5. Operating Expenses

2014
£'000s

2013
£'000s

The operating profit/(loss) is stated after charging/(crediting):

Staff Costs (note 6)	25,917	23,968
Depreciation & Amortisation	3,753	2,764
Communication Costs, Hardware and Software Maintenance	5,496	4,773
Travel & Entertainment	1,807	2,103
Development Centre and Management Charges	5,001	4,902
Royalty Fee charge from other group companies for use of intellectual property	1,048	1,582
Capitalisation of Intellectual Property	(4,930)	(2,604)
Operating Lease Payments	1,293	1,180
Consultancy Fees	2,124	3,283
Impairment of Client Receivable/Work in Progress	1,504	4,121
Other Expenses	7,425	6,355
Total Operating Expenses	50,438	52,427

Fees paid to the Company's auditors can be analysed as follows:

2014
£'000s

2013
£'000s

Fees payable to Company's auditor for audit of the Company's annual financial statements	415	104
The audit of other entities within the Kiwi UK Holdco 1, Ltd group borne by FNZ (UK) Ltd	-	56
Audit Related Assurance	217	94
Tax Services	288	164
Other Assurance Services	147	210
Total Paid to Auditors	1,067	628

Included within Other Assurance services are fees borne by the Company on behalf of the Group of £123k (2013: £NIL).

6. Employee Information

	2014 £'000s	2013 £'000s
Wages and Salaries	15,118	13,474
Social Security Costs	3,791	3,593
Other Costs incl. Pension	7,008	6,901
	<u>25,917</u>	<u>23,968</u>

Employee wages and salaries and social security costs are included within the overall staff costs disclosed in note 5.

Average Monthly Number of Employees	2014	2013
Product Development and Delivery	158	145
Operations	114	116
Administration (including Sales and Executives)	90	78
	<u>362</u>	<u>339</u>

The Company operates defined contribution pension schemes for all qualifying employees of its business in the UK. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. This defined contribution scheme was introduced during 2012.

The total cost charged to the income statement of £485k (2013: £347k) represents contributions payable to these schemes by the Company at rates specified in the rules of the scheme. As at 31 December 2014, contributions of £99k (2013: £70k) due in respect of the current financial year had not been paid over to the schemes.

7. Finance Income and Expense

	2014 £'000s	2013 £'000s
Finance Income:		
Interest on Intercompany Balances	623	509
Other Interest	5	-
	<u>628</u>	<u>509</u>
Finance Cost:		
Bank Interest	1,779	1,460
Interest on Intercompany Balances	12	12
Interest on Finance Leases	51	37
Other Interest	32	32
	<u>1,874</u>	<u>1,541</u>

The interest on intercompany balances has been calculated using interest rates of 1.5% (2013: 1.5%) above the base rate of the Company in the receivable position.

8. Income Tax Expense/(Credit)

	2014 £'000s	2013 £'000s
Current Tax on Profit /(Loss) for the year	358	(91)
Adjustment in respect of prior years	2,092	(2,796)
Withholding tax on interest income	-	1
Double tax relief	-	(1)
Total current tax	2,450	(2,887)
Origination and reversal of temporary differences (note 11)	768	(2,204)
Impact of change in UK tax rate on deferred tax	(69)	338
Deferred tax prior year adjustment	87	(84)
Total deferred tax	786	(1,950)
Taxation Charge/(Credit)	3,236	(4,837)

During the year, a change in the UK Corporation tax rate from 23% to 21% was effective from 1 April 2014. The tax on the Company's profit/(loss) before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of 21.5% (2013: 23.25%) as follows:

	2014 £'000s	2013 £'000s
Profit/(Loss) before Taxation	4,859	(9,142)
Tax charge/(credit) at weighted average UK corporation tax rate of 21.5% (2013: 23.25%)	1,045	(2,125)
Adjusted by Tax Effect of:		
Adjustments in respect of prior years	2,179	(2,880)
Expenses not deductible	97	601
Income not taxable	(16)	(771)
Effects on other tax rates	(69)	338
Taxation Charge/(Credit)	3,236	(4,837)

Further information about deferred income tax is presented in Note 11.

9. Cash and Cash Equivalents

	2014 £'000s	2013 £'000s
Cash and Cash Equivalents	7,410	7,315
Bank Overdraft	-	(23,846)

A new banking facility became effective on 19 December 2014. The facility comprises a £35m fixed term and £5m revolving credit facility. These facilities sit in FNZ Holdings UK Limited (immediate parent) and have been loaned to FNZ (UK) Ltd via intercompany loans at the rate applicable to the originating loan.

Each of the statutory entities within the Kiwi UK Holdco 1, Ltd group, including FNZ (UK) Ltd, are obligors of the new banking facility and are therefore jointly and severally liable to Goldman Sachs for the outstanding loan facility across the group, which was £35m at the balance sheet date.

10. Trade and Other Receivables

	2014 £'000s	2013 £'000s
Trade Receivables	8,366	2,473
Accrued Income	11,789	5,299
Amounts Due from Related Entities (note 19)	30,611	29,499
Prepayments	1,463	1,834
Tax Receivable	-	1,693
Other Receivables	2,249	679
	<u>54,478</u>	<u>41,477</u>

Receivables (except amounts due from related entities) do not carry any interest. Trade and other receivables are recognised at issue date and derecognised on settlement by the debtor. The carrying amount is a reasonable approximation of fair value, because the financial instruments are short term trade receivables.

11. Deferred Tax Asset

	2014 £'000s	2013 £'000s
At 1 January	2,100	150
Adjustment in respect of prior years	(87)	84
Deferred tax charge to income statement for the period	(699)	1,866
At 31 December	<u>1,314</u>	<u>2,100</u>
Deferred taxation at 31 December comprises:		
Un-Utilised Tax Losses	1,209	2,100
Fixed Assets	97	-
Unpaid Pension Contributions	8	-
Deferred tax asset	<u>1,314</u>	<u>2,100</u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Contracted revenue streams to the Company and expected future profits indicate that it is probable the asset recognised in relation to tax loss carry-forwards will be utilised.

12. Property, Plant and Equipment

2014

	Computers & other Equipment £'000s	Fixtures, Fittings & Furnishings £'000s	Total £'000s
COST			
As at 1 January 2014	6,386	1,542	7,928
Additions	424	291	715
Disposals	(3)	(41)	(44)
As at 31 December 2014	6,807	1,792	8,599
ACCUMULATED DEPRECIATION			
As at 1 January 2014	(4,420)	(573)	(4,993)
Depreciation in the Year	(1,347)	(371)	(1,718)
Disposals	-	-	-
As at 31 December 2014	(5,767)	(944)	(6,711)
NET BOOK VALUE			
As at 1 January 2014	1,966	969	2,935
Change in Net Book Value	(926)	(121)	(1,047)
As at 31 December 2014	1,040	848	1,888

2013

	Computers & other Equipment £'000s	Fixtures, Fittings & Furnishings £'000s	Total £'000s
COST			
As at 1 January 2013	7,021	1,134	8,155
Additions	497	623	1,120
Disposals	(1,132)	(215)	(1,347)
As at 31 December 2013	6,386	1,542	7,928
ACCUMULATED DEPRECIATION			
As at 1 January 2013	(4,205)	(481)	(4,686)
Depreciation in the Year	(1,347)	(307)	(1,654)
Disposals	1,132	215	1,347
As at 31 December 2013	(4,420)	(573)	(4,993)
NET BOOK VALUE			
As at 1 January 2013	2,816	653	3,469
Change in Net Book Value	(850)	316	(534)
As at 31 December 2013	1,966	969	2,935

The Directors' review of each asset's residual value and remaining useful life and their review of impairment indicators did not result in any changes to depreciation methods or inclusion of any impairment loss in the Statement of Comprehensive Income.

13. Intangible Assets

2014

	Intellectual Property £'000s	Software Licences £'000s	Total £'000s
COST			
As at 1 January 2014	3,926	5,589	9,515
Additions	4,930	1,746	6,676
Disposals	-	(240)	(240)
As at 31 December 2014	8,856	7,095	15,951
ACCUMULATED AMORTISATION			
As at 1 January 2014	(220)	(3,429)	(3,649)
Amortisation in the Year	(654)	(1,381)	(2,035)
Disposals	-	-	-
As at 31 December 2014	(874)	(4,810)	(5,684)
NET BOOK VALUE			
As at 1 January 2014	3,706	2,160	5,866
Change in Net Book Value	4,276	125	4,401
As at 31 December 2014	7,982	2,285	10,267

2013

	Intellectual Property £'000s	Software Licences £'000s	Total £'000s
COST			
As at 1 January 2013	1,322	3,998	5,320
Additions	2,604	2,142	4,746
Disposals	-	(551)	(551)
As at 31 December 2013	3,926	5,589	9,515
ACCUMULATED AMORTISATION			
As at 1 January 2013	-	(3,003)	(3,003)
Amortisation in the Year	(220)	(890)	(1,110)
Disposals	-	464	464
As at 31 December 2013	(220)	(3,429)	(3,649)
NET BOOK VALUE			
As at 1 January 2013	1,322	995	2,317
Change in Net Book Value	2,384	1,165	3,549
As at 31 December 2013	3,706	2,160	5,866

The Directors' review of each asset's residual value and remaining useful life and their review of impairment indicators did not result in any changes to amortisation methods or inclusion of any impairment loss in the Statement of Comprehensive Income.

14. Investments in Subsidiary Undertakings

The Company has investments in FNZ (UK) Nominees Limited (Company No. 05471102), FNZ Wealth Gross Nominees Limited (Company No. 08472251), and FNZ Wealth Nominees Limited (Company No. 08472254), which are all wholly owned subsidiaries. These subsidiaries were set up to segregate client assets in a nominee name for the UK market, and as such will not trade in any year. They are all incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 20-22 Bedford Row, WC1R 4JS, London.

The net book value of the investment in FNZ (UK) Nominees Limited is £1 (2013: £1). This value is considered to be equal to the subsidiary's fair value at balance sheet date.

The net book value of the investment in FNZ Wealth Gross Nominees Limited and FNZ Wealth Nominees Limited is £100 each (2013: £100). This value is considered to be equal to the Subsidiaries' fair values at balance sheet date.

15. Trade and Other Payables

	2014	2013
	£'000s	£'000s
Trade Payables	2,393	2,567
Employee Related Payables	1,378	1,222
Other Payables	8,102	2,628
Interest Payable	11	11
Amounts due to Related Entities (note 19)	29,554	2,035
Deferred Income	4,742	500
Obligations under Finance Leases (note 21)	695	922
	<u>46,875</u>	<u>9,885</u>

Trade and other payables are stated at their nominal value, are unsecured and are not interest bearing (except amounts due to related entities which are disclosed in note 19 and Obligations under Finance Leases which are disclosed in note 21). Typically payables are settled monthly. The carrying amount is a reasonable approximation of fair value, because the financial instruments are short-term trade payables. Included in other payables is a risk provision of £826k (2013: £NIL) relating to the expected future costs of providing ongoing service support in accordance with contractual obligations.

16. Derivative Financial Instruments

2014	Carrying Amount	Fair Value Level 1
Financial Liabilities Measured at Fair Value	£'000s	£'000s
As at 1 Jan 2014	-	-
Decrease in Fair Value for the Year	103	103
As at 31 December 2014	<u>103</u>	<u>103</u>

Forward exchange contracts were entered into on 18 September 2014 for the purchase of Czech Republic Koruna for development work from FNZ (Czechia) s.r.o. The forward exchange contracts are not designated as hedging instruments and hedge accounting is not applied. The fair value is based on broker quotations. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

17. Capital and Reserves

Preference Share Capital

The Company has in issue 3,790,000 (2013: 3,790,000) £1 redeemable preference shares. The preference shares shall confer the right to a fixed, non-cumulative preferential dividend of 10% per annum; however, the Directors may determine that any particular instalment of the preferential dividend shall not be paid unless a dividend is declared or paid in respect of the ordinary shares in respect of the same accounting year. The preference shares have no fixed redemption date and are redeemed at the discretion of the board of the Company.

The redeemable preference shares meet the requirements set out by the FCA rule IPRU (INV) 10-61. This rule allows the preference shares to be treated as part of the initial capital as the dividends are not cumulative.

Issued and Authorised Share Capital

Total issued and authorised ordinary share capital as at 31 December 2014 is 1,100,000 (2013: 1,100,000) fully paid £1 ordinary shares.

18. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and interest rate risk), credit risk and liquidity risk. The Company's risk management programme includes a focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company has a dedicated Risk and Compliance Committee who focus on risk management. The Board discusses risk management at their monthly Board meetings.

Market Risk

Foreign Exchange Risk

The Company is exposed to foreign exchange risk arising primarily from exposure to the NZ Dollar (NZD), the Australian Dollar (AUD) and Czech Republic Koruna (CZK). Foreign exchange risk arises from commercial transactions and intercompany transactions.

The average exchange rates during the year were the following:

	2014	2013
NZD : GBP	1.9854	1.9073
AUD : GBP	1.8268	1.6202
CZK : GBP	34.1613	30.5833

The Company mitigates foreign exchange risk through forward exchange contracts on CZK.

Price Risk

The Company is not exposed to price risk on any assets or liabilities as none are carried at market value. The service fee revenue is linked to the market value of Assets under Administration (AUA). This value affects the amount of service fee revenue. The risk of a significant reduction in AUA is mitigated to a large extent by contractually agreed minimum fee levels with clients.

Interest Rate Risk

The Company's main interest bearing liabilities are its intercompany balances. The Company's income and operating cash flows are substantially independent of changes in market interest rates as an increase in the base rate would increase bank interest payable but this would be partially offset by increased intercompany interest income.

The Company's interest rate risk arises from short-term borrowings and is linked to the UK base rate. Borrowings issued at variable rates expose the Company to interest rate risk.

The Company analyses its interest rate exposure on an ongoing basis. On an annualised basis, if interest rates on all borrowings had been 200 basis points higher/lower with all other variables held constant, Company pre-tax profit for the year would have been £27,510 lower/higher respectively.

The significant interest rate risk relates to related party balances. The Company has entered into a netting agreement with all companies in the Kiwi Holdco CayCo, Ltd Group. The Directors consider this agreement to adequately mitigate the interest rate risks associated with the related party balances.

Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For customers, management assess the credit quality of the customer, taking into account its financial position, past experience and other factors. The Compliance and Finance Teams are responsible for monitoring and managing overall credit risk. There are currently no amounts receivable from customers that are deemed by the Directors to be irrecoverable.

The Directors consider Trade Receivables to be the only amounts included in Trade and Other Receivables balance to have credit risk. The table of amounts exposed to credit risk with the following ratings has been presented for Trade Receivables:

- i. Amounts neither past due, nor impaired
- ii. Amounts past due, but not considered by management to be required to be impaired
- iii. Amounts past due, and considered by management to be impaired

	Amounts neither past due nor impaired	Amounts past due, but not impaired	Amounts past due and impaired
	£'000s	£'000s	£'000s
As at 31 December 2014			
Trade receivables	8,366	-	-
As at 31 December 2013			
Trade receivables	2,473	-	-

Credit Risk (continued)

Credit risk is not considered significant as all receivables are considered recoverable as the Company's client base consists of large financial institutions. In the event of credit risk materialising, FNZ (UK) Ltd would be able to meet its liabilities through normal business operations, supported by a £40m Group facility available to the FNZ Group. This facility is with Goldman Sachs (credit rating A). FNZ (UK) Ltd also has current accounts with Bank of Scotland (credit rating A-). These banks have stable and strong long term credit ratings as provided by Moody's.

Liquidity Risk

Liquidity risk results from the possible inability of the Company to meet its commitments as they fall due. The timing of receipts drive this risk as upfront implementation fees are received which are used to fund platform development. Further implementation fees are only billed once set milestones have been met or upon go live when service fees are charged. This profile of billings results in lumpy cash receipts. As is evidenced by the growing AUA and service revenue, the reliance on these lumpy receipts is reducing year on year. The Directors ensure liquidity is maintained by actively managing liabilities through fortnightly reviews of the cash flow reporting and have sufficient funding facilities to meet the Company's needs.

The table below provides a maturity analysis for the Company's financial liabilities.

	6 Months or Less £'000s	6 – 12 Months £'000s	1 – 5 Years £'000s	More Than 5 Years £'000s
At 31 December 2014				
Bank Overdraft	-	-	-	-
Trade Payables	2,393	-	-	-
Obligations Under Finance Leases	348	347	-	-
Intercompany Payables	29,554	-	-	-
Employee Related Payables	1,378	-	-	-
Withholding Tax	11	-	-	-
Sundry Creditors	12,844	-	-	-
Tax Liability	1,662	-	-	-
Derivative Financial Instrument	59	44	-	-
Total	48,249	391	-	-
At 31 December 2013				
Bank Overdraft	23,846	-	-	-
Trade Payables	2,567	-	-	-
Obligations Under Finance Leases	461	461	868	-
Intercompany Payables	1,138	-	-	-
Employee Related Payables	1,222	-	-	-
Withholding Tax	11	-	-	-
Sundry Creditors	3,253	-	-	-
Tax Liability	-	-	-	-
Total	32,498	461	868	-

Capital Management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the regulators of the investment firm markets where the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Financial Conduct Authority (FCA), for supervisory purposes. The required information is filed with the FCA on a quarterly basis.

The Company's regulatory capital is divided into three tiers:

Tier 1 Capital: share capital, minority interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings, perpetual non-cumulative preference shares.

Tier 2 Capital: perpetual cumulative preference shares, perpetual subordinated debt, revaluation reserves, fixed term preference shares, long term subordinated debt.

Tier 3 Capital: short term subordinated debt.

The table below summarises the composition of regulatory capital of the Company for the years ended 31 December 2014 and 2013. During those years the Company complied with all of the applicable externally imposed capital requirements.

	2014	2013
	£'000s	£'000s
Tier 1 Capital		
Share Capital	1,100	1,100
Retained Earnings	21,827	20,204
Perpetual Non-Cumulative Preference Shares	3,790	3,790
Total Qualifying Tier 1 Capital	26,717	25,094
Tier 2 Capital	-	-
Tier 3 Capital		
Short-Term Subordinated Loan	-	-
Total Qualifying Tier 3 Capital	-	-
Total Regulatory Capital	26,717	25,094

Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP is reviewed and amended by senior management and approved by the Board of Directors on at least an annual basis. This assessment draws on the results of existing risk management techniques and reporting. The Company performs capital planning as part of its business planning process. There is no additional capital requirement forecast.

19. Related Parties

FNZ (UK) Ltd

FNZ (UK) Ltd's immediate parent company is FNZ Holdings UK Limited. The ultimate parent company is Kiwi Holdco CayCo, Ltd, an exempted limited company formed under the laws of the Cayman Islands.

It is the group's policy to charge 5% uplift where staff costs are recharged to other Group entities. Other costs are recharged as incurred.

The Company has entered into the following transactions with related parties during the year and holds the following balances with related parties at the end of the year:

Amounts Due from Related Entities

	Transactions in the year to		Outstanding balances	
	31 December 2014	31 December 2013	2014	2013
	£'000s	£'000s	£'000s	£'000s
Immediate Parent – FNZ Holdings UK Limited				
Working Capital	(3,608)	3,492	-	3,608
Ultimate Parent - Kiwi Holdco CayCo, Ltd				
Capital Movement	7,380	151	9,200	1,820
Other related entities (Repayments) / Purchases, Working Capital and Other Transactions	(2,660)	6,233	21,411	24,071
Total	1,112	9,876	30,611	29,499

Amounts Due to Related Entities

	Transactions in the year to		Outstanding balances	
	31 December 2014	31 December 2013	2014	2013
	£'000s	£'000s	£'000s	£'000s
Immediate Parent – FNZ Holdings UK Limited				
Working Capital	14,183	-	14,183	-
Ultimate Parent - Kiwi Holdco CayCo, Ltd				
Capital Movement	-	-	-	-
Other Related Entities Purchases, Working Capital Receipts and Other Transactions	13,336	5,345	15,371	2,035
Total	27,519	5,345	29,554	2,035

Key Management's Emoluments

Total remuneration is included within staff costs (see Note 6).

Key Management includes those who have the authority and responsibility for planning, directing and controlling the activities of FNZ (UK) Ltd. The following emoluments relate to the Directors (as listed on page 2) and Key Management.

	2014 £'000s	2013 £'000s
Aggregate Short-Term Emoluments	1,891	2,080
Sums paid to third parties for Directors' services to the group	202	123
Contributions made in respect of money purchase schemes	39	28
	<u>2,132</u>	<u>2,231</u>

Short-term emoluments include salary, bonuses and other benefits provided.

	2014 £'000s	2013 £'000s
Highest paid Director		
Aggregate short-term emoluments	300	250
Aggregate amounts receivable under long-term incentive schemes	-	-
	<u>300</u>	<u>250</u>

Incentive Plan - EIP

FNZ (UK) Ltd offers an Employee Incentive Plan (EIP) which is the chance for certain employees to participate in the future growth of the business. Units, which are notional only and which do not constitute shares in any company, entitle the holder to a small proportion of any distribution by Kiwi Holdco CayCo, Ltd to its shareholder Kiwi CayCo LP. These units are awarded to high performing individuals in the business based on certain criteria, including contribution to the business, personal performance and the role they perform within the Company. Nominations can be made by Leadership teams but the final decision lies with the Board. This scheme was introduced in 2009 but no transactions from the scheme flow through the Company. Employees who leave employment cease to be entitled to these distributions.

20. Operating Leases

	2014 £'000s	2013 £'000s
Non-cancellable operating lease rentals are payable as follows:		
Less than One Year	3,271	1,748
Between One and Two Years	3,372	1,748
Between Two and Five Years	4,755	1,837
More than Five Years	8,835	54
	<u>20,233</u>	<u>5,387</u>

The Company leases six offices which are considered to be operating leases and have not been capitalised. There are no restrictions imposed by lease arrangements and there are no contingent rents, options or covenants.

21. Obligations under Finance Leases

	<u>Minimum lease payments</u>	
	2014	2013
	£'000s	£'000s
Amounts Payable Under Finance Leases:		
Less than One Year	701	956
Between One and Five Years	-	871
More than Five Years	-	-
Less: Future Finance Charges	(6)	(37)
Present Value of Lease Obligations	<u>695</u>	<u>1,790</u>

At the year end the Net Book Value of assets held under finance leases and included under Note 12 Plant, Property and Equipment and Note 13 Intangible Assets was:

	Net Book Value	Net Book Value
	2014	2013
	£'000s	£'000s
Computers & Equipment	422	1,426
Software Licences	32	166
Total	<u>454</u>	<u>1,592</u>

It is the Company's policy to lease certain assets under finance leases. The average lease term is 2.7 years. For the year ended 31 December 2014 the weighted average effective borrowing rate was 8% (2013: 8%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Company's obligations under finance leases are secured by the lessors' rights over the leased assets.

22. Changes in Accounting Policy and Disclosure

(a) New and amended standards adopted by the Company

No standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2014 which would be considered to have a material impact on the Company.

(b) New standards and interpretations effective but not adopted

The following standards and amendments to standards and interpretations are effective for financial years beginning on or after 1 January 2014. The Company has not adopted these standards or amendments in preparing these financial statements, as they will have no impact on the financial results or position of the Company.

- IFRS 10 'Consolidated financial statements'

Changes in Accounting Policy and Disclosure (continued)

- IFRS 11 'Joint arrangements'
- IFRS 12 'Disclosures of interests in other entities'
- IAS 27 (revised 2011) 'Separate financial statements'
- Amendment to IFRS 10,11 and 12 on transitional guidance
- Amendment to IFRS 10,12 and IAS 27 on consolidation for investment entities
- Amendment to IAS 32 on financial instruments asset and liability offsetting
- Amendment to IAS 39 'Financial instruments' recognition and measurement on novation of derivatives and hedge accounting
- IAS 28 (revised 2011) 'Associates and Joint ventures'
- IFRIC 21 'Levies'

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 15- Revenue from contracts with customers - The new standard comes into effect on 1 January 2017 and will be adopted by the Company at that date.

23. Commitments and Contingencies

As at 31 December 2014 there were no capital commitments (2013: £nil).

There are no contingent assets or liabilities as at 31 December 2014 (2013: none).

24. Subsequent Events

The following material post balance sheet item has occurred between the year end and the signing of the financial statements:

Following a strategic review the board of the FNZ Group determined that the business of FNZ (Czechia) s.r.o. should be transferred to FNZ (UK) Ltd by way of an asset sale. The asset sale commenced in December 2014 and is effective from 1 April 2015. FNZ (Czechia) s.r.o was a subsidiary of Kiwi Holdco 2, Ltd and is being converted to a branch within FNZ (UK) Ltd. The assets were transferred to FNZ (UK) Ltd at book value.

There are no other material post-balance sheet events directly affecting the Company.