FNZ (UK) Ltd
Annual Report and Financial Statements
For the Year Ended 31 December 2020
Company Number: 05435760

FNZ (UK) Ltd
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Directors
Catherine Brown (Non-Executive Director)
Wallace Dobbin (Non-Executive Director)
Adrian Durham
Matthew Ferman
Susan Harris (Non-Executive Director)
Kristopher Love
Gregor Stewart (Non-Executive Chairman)
John Tomlins (Non-Executive Director)

Company Secretary
Christopher Aujard

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Company Registration Number
05435760

Chairman's Statement

Against the background of a global pandemic requiring our people to work from home, FNZ (UK) successfully developed the business during 2020 with total assets under administration ("AuA") increasing by 32.1% to £300.7bn as at December 2020. Growth in AuA continued to be underpinned by strong delivery, with one major client migration programme contributing more than half the growth. In addition, focus was applied to enhancement of our platform proposition enabling our clients to offer their customers greater breadth and ease of operation, through high-quality asset servicing operations.

We continued to invest throughout the business while maintaining the focus on further developing operational resilience, the control environment and governance. This reflects the client led projected increase in scale of AuA in the future.

In 2021, we continue to work on the completion of a number of incremental platform migrations. Our mission of improving consumer engagement with their savings, retirement and wealth management goals, and lowering the cost of access, continues. Our increasing scale directly supports these goals, including ongoing investment in R&D, particularly that in respect of process automation and A.I. development from which we expect significant returns in 2022.

While economic conditions continue to be impacted by the current global pandemic (Covid-19), we have assessed the impact on FNZ via the firm's stress testing framework, which indicates resilience in the business to ongoing market and economic disruption.

My thanks to the executive team and colleagues for their focus on execution in 2020 and to all our strategic platform partners for their ongoing support and collaboration in helping UK consumers achieve their financial goals, despite the turbulent external environment.

Gregor Stewart
Non-Executive Chairman

Principal Activities
The principal activity of FNZ (UK) Ltd ('FNZ' or 'the Company') is the provision of transaction and custody services to financial institutions to support the provision of wealth management services by these institutions to their intermediaries and clients.

Financial Review
The Company continued to grow revenue in 2020, achieving £194.1m, 12.6% higher than 2019. The revenue growth was underpinned by continued growth in AuA which grew by 32.1% to £300.7bn as at December 2020. This AUA growth was supported by a particularly successful key client migration in the year which onboarded £47.7bn of AuA.

Profit after tax ("PAT") reduced by 41.8% to £16.2m after paying an additional £17.9m of royalty charges, reflecting the full year impact after the sale of intellectual property to FNZ Group Services Ltd in 2019. This is the primary driver for a PAT margin decrease from 16.1% to 8.3%. The 2019 margin recalculated on a normalised basis, including a full year's estimated royalty charge, was also 8.3%.

The Company continued to invest in enhancing automation and control within the operations environment, to provide greater scalability from a resilient base. The Group maintained a strong R&D investment programme to ensure clients and their customers (wealth managers, financial advisers and end customers) benefit from proposition innovation and improved operating efficiency.

Outlook
The Company entered 2021 with a number of incremental platform migrations in progress. The completion of these migrations will continue our significant growth in AuA over the medium term. Our increasing scale allows greater continued investment in core product innovation, process automation and operational resilience, which supports our long-term mission of improving consumer engagement with their savings, retirement and wealth management goals, and lowering the cost of access.

Principal Risks, Financial Risks and Uncertainties
FNZ Management and the Board of Directors regularly assess the Company's key risks, in particular those that would threaten its business model, future performance, solvency, capital adequacy or liquidity. The key risks relate to operational risks (including in relation to data and asset security, change delivery and people), financial risk, market risk, liquidity risk, regulatory risk and conduct and consumer harm risks. Each risk is managed against appropriate risk appetite thresholds as part of the broader Risk Management Framework ('RMF').

Operational Resilience
FNZ recognises that the services it provides are key to its clients and are important to the UK financial services market. FNZ supports its clients by managing the risks in its own business by ongoing improvement to operational resilience. FNZ is in the process of implementing a broader operational resilience framework based upon key services, processes and supporting resources such as technology, personnel, and suppliers that are required to maintain client service offerings in the event of any operational disruption.

The Company has continued to demonstrate strong resilience in 2020 throughout which it operated a fully remote working model with no adverse operational or productivity issues throughout the COVID-19 pandemic. FNZ continues to regularly review and update the COVID-19 risk assessment in the light of the continued changing risk landscape and Government guidance. The Company is keeping a continued focus on its employees' wellbeing and mental health in the current conditions.

Cyber Risk
The industry is exposed to cyber criminals who are using increasingly sophisticated measures within a changing threat landscape to exploit perceived vulnerabilities. FNZ manages information security in accordance with an Information Security Risk Management Framework, supported by ongoing investments in people capabilities and tools. FNZ regularly tests its resilience against cyber threats using both internal and external expertise.

Principal Risks, Financial Risks and Uncertainties (continued)

Change Delivery
FNZ is primarily exposed to operational risk through failure to deliver change for both new and existing clients in relation to the migration of assets and the servicing of those assets. The Board recognises that successful execution of change projects is key to the Company's growing business. FNZ manages change by ensuring that client and end-customer requirements are met, regulatory obligations are adhered to and that any growth is managed in a controlled manner. To facilitate the identification, assessment, monitoring, and reporting of the above operational risks FNZ has a RMF and governance process in place that includes the following processes: risk appetite statements and thresholds for the management of risks, a change risk assessment framework to support projects, and a governance structure to oversee the review, challenge, and approval of projects and risk management generally.

People Risk
The Company considers that there are risks to both talent (acquisition and retention) and employee wellbeing, especially in current circumstances. Failure to manage these risks appropriately may negatively impact client and regulatory commitments, productivity and engagement, and ultimately, the servicing of end-customers. FNZ manages this risk against appropriate risk appetite statement, reward management, a wellbeing programme, and appropriate resource planning.

Financial Risk
Financial risk arises primarily from the uncertainty regarding the timing and the estimation of revenues for implementation projects. Such revenues are reliant on the timing of contract commitments and are based on the stage of completion for each project. The recurring revenue derived from asset servicing has increased through FNZ's successful growth and the reliance on revenues derived from implementation projects that are subject to this type of uncertainty is decreasing.

Market Risk
The Company is exposed to market risk transactions in currencies other than Sterling primarily arising in relation to the Company's branch in Czech Republic. Although not material, Foreign exchange risk is partially mitigated through forward foreign exchange contracts.

Liquidity Risk
Liquidity risk results from the irregular timing of cash receipts associated with client implementations, the short-term impact of the key operating risks and counterparty risk. FNZ management continuously monitors cash-flow and liquidity projections via a treasury management function. FNZ has an established Liquidity Risk Management framework ('LRMF') to support the management of liquidity risks.

Regulatory Risk
Regulatory risk relates to compliance with Financial Conduct Authority ('FCA') rules. The Group has invested in building appropriate compliance skills in the business. All staff are provided with regulatory training by the Risk & Compliance department. Regulatory risk in relation to compliance with the FCA's capital and liquidity requirements is managed through a comprehensive framework and policies and a robust programme of assessment and oversight to ensure that the business has an appropriate level of financial resources.

Conduct & Consumer Harm
Given their importance, the Board track a range of measures to assess our potential exposure to Conduct and Consumer Harm risks. To ensure an appropriate focus on both conduct risk and consumer harm, management have a Customer Committee also attended by two Non-Executive Directors, which meets regularly to assess and oversee a detailed set of performance and key risk indicators.

Statement regarding compliance with s172 (1) of Companies Act

Section 172(1) of the Companies Act 2006 requires each director to act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefits of its members as a whole. The Directors in doing so, have regard to the likely consequences of any decision in the long-term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers; customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the Company.

The Board considers the consequences of their decisions in the long term and is guided by the five-year strategic plan alongside the Company's RMF and risk appetite to achieve long term sustainable success whilst maintaining high standards of business conduct. For each matter that comes to the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the decision-making process.

The Company considers its key stakeholders to be the following:

Shareholders

The Company is a wholly owned subsidiary of Kiwi UK Holdco 2, Ltd and the ultimate controlling party is Kiwi Holdco CayCo, Ltd ('Group Company). The Board ensures that matters are communicated and referred to the respective shareholder and Group Company where appropriate. Additionally, the Board has met with shareholders during the year to discuss strategy and performance. Further information on Group shareholders can be found in the Ownerships and Group Structure section of the Directors' Report.

Employees

The Board champions the view that employees are fundamental to the long-term success of the Company. Employees receive regular updates on the financial and economic factors affecting the performance of the Company and Group via a number of channels, including directly from senior management and video messages which facilitate a systematic flow of information on matters which directly impact the Company's employees. In online, live forums, employees are encouraged to ask questions and help shape the future communications they receive.

Due to the Global pandemic, employee wellbeing, health and safety has been a key consideration for the Board throughout the year. Staff surveys have been undertaken to ensure that every employee has the right home equipment to be able to carry out their role effectively and comfortably and also to gauge emotional and mental wellbeing. A number of wellbeing initiatives have been offered during the year including meditation, online yoga classes, mindfulness tutorials and support for managers. Physical offices have remained closed to employees through most of the pandemic with the exception of a few critical members of staff.

The expansion of the Company's Diversity & Inclusion (D&I) programme constitutes a core development for 2020. Through the programme, a series of developments have taken place, including the establishment of regional D&I working groups, the signing of selected appropriate pledges and a commitment to diverse shortlisting and balanced interview panels up to and including Board level. These initiatives are intended to build better foundations from which to drive the D&I agenda as the Company embarks on a multi-year journey in this area.

Employees who joined FNZ in the UK during the year were successfully onboarded with many changes to facilitate a remote environment. These included individuals hired directly but also a significant number TUPE transferred to FNZ as a result of client migrations. Feedback from new hires has indicated a positive experience of joining FNZ even during a difficult year. Regretted attrition fell during the year due to improvements made within the business along with a slower resourcing market due to the pandemic. No employees were furloughed within FNZ UK.

Customers

As part of the annual review of the five-year strategic plan, the Directors consider the impact of these plans on all stakeholders. Delivering sustainable growth requires long term trusted partnerships with clients and the Directors are aware that building and maintaining these trusted partnerships is only possible if the firm maintains high standards of business conduct at all times. We maintain high standards of conduct through a wide range of actions, including the embedding of our risk and control frameworks, policies and having clear and effective governance structures to provide oversight and challenge.

Statement regarding compliance with s172 (1) of Companies Act (continued)
Customers (continued)
The Customer Committee that was established in 2019 meets on a bi-monthly basis and reports regularly to the Board. Its focus continues to be improving customer outcomes by continually enhancing service standards, products and business relationships with clients and end customers.

The Company places critical importance on the safeguarding of clients', and their retail customers', assets. The Board continued to strengthen its control environment, including RMF and governance framework during the year.

Suppliers
During the year, the Company's critical suppliers were engaged to understand their business continuity status and advice was offered where appropriate. The Company is reliant upon suppliers for a number of key services and in accordance with the Company's strategic risk framework, suppliers are selected after careful consideration in line with the Company's procurement policy.

Regulators
During the year the Company continued to focus on maintaining compliance with regulatory requirements. The Company supports the conduct requirements and expectations of the regulator in relation to the Company to contribute to delivering positive end-customer outcomes and avoiding customer harm. The Company remains committed to an open relationship with the regulator on these matters.

Community and the Environment
The Company sets long-term goals to address and reduce the significant environmental impacts from its business operations, protect the environment and resources, and ultimately create net-positive impact.

The Company is committed to reducing its emissions by investing in nature-based solutions. The Company is also committed to the provision and innovation of net-zero enabling and climate resilient products and services and to actively advocating public policy to realise goals of the Paris Agreement. This is demonstrated in the development of FNZ Impact, the Company's platform sustainability solution, which will enable retail investors, advisors and wealth managers to understand the carbon footprint of their investments – and take steps towards reducing it. As knowledge partners within the UN-backed Green Digital Finance Alliance, FNZ collaborates with leading technology firms to leverage digital technologies and innovations to enhance financing for sustainable development. FNZ is also a knowledge partner to the ongoing Benchmark for Nature research project with Oxford University, which enables end investors to understand the impact of their investments on nature, a top two concern as revealed by our consumer survey, but which remains unaddressed to date by existing data providers.

FNZ is fully committed to making a positive social impact on the communities in which it operates by developing innovative solutions that lower costs and risk for the asset management industry and retail investors. In addition, there are a range of initiatives that support the Company's commitment to making a positive social contribution. Notably this year "The Big Exchange" was launched in partnership with a group of leading fund managers, a blockchain-based, mobile-first investment platform which brings a wide range of social and environmental "impact" funds direct to retail audiences.

In addition to this, the Company provided corporate support of UNICEF as the Company's flagship charity during the COVID pandemic , as well as a spectrum of charitable causes in the communities in which it operates, as well as those which are important to colleagues.

Approved by the Board on 27 April 2021 and signed on its behalf by:

Matthew Ferman
Director

Corporate Governance Statement

As a privately owned, non-listed company, the Company is not required to comply with the UK Corporate Governance Code (the 'Code'). The Board, however, continues to give careful consideration to the principles of corporate governance as set out in the Code and, having regard to its regulated status, remains committed both to maintaining high standards of corporate governance and complying with the Code so far as it is practicable and appropriate for a company of its size and nature.

Board of Directors

The Board is comprised of the Non-Executive Chairman, the Senior Independent Director, three further Non-Executive Directors and three Executive Directors. The Board has considered the independence of its Non-Executive Chairman and of its Non-Executive Directors and has concluded that all are independent. The Company does not require its Directors to retire and submit themselves for re-election. Any changes to the Board composition or structure are considered by the Nomination Committee. A review of the effectiveness of the Board is carried out annually with external review every three years.

The Board is required to meet at least ten times per year and there is a schedule of formal matters specifically reserved for the Board's consideration. The Board programme is designed so that Directors have a regular opportunity to consider the Company's strategy, operations, risks, policies, financial plans, progress reports, financial results, liquidity, capital and regulatory requirements in order for the Board to arrive at a balanced assessment of the Company's position and prospects. Strategic developments (including consideration of new contracts and propositions), operational performance, financial performance, risk management, customer outcomes and regulatory compliance are considered at each Board meeting. The Board regularly invites internal subject matter experts to the Board meetings in order for them to provide additional insight into their specialist areas.

The Company has a clear division of responsibility between the roles of the Chairman and the Chief Executive Officer. The Non-Executive Chairman has a responsibility to ensure that the strategies and policies proposed by the Executive Directors are fully discussed and critically examined, not only with regard to the best long-term interests of the shareholders, but also with regard to the Company's relationships with the regulator, its employees, clients and suppliers.

Day to day management of the business is delegated to the Company's Senior Executives, who the Board relies upon for the provision of accurate, complete and timely information. The Directors may seek further information where necessary.

Board Committees

The Board has delegated certain responsibilities to the Board Risk & Compliance Committee, the Audit Committee, the Remuneration Committee and the Nominations Committee. These Committees have written Terms of Reference which define their authorities, duties and membership.

Internal Control and Risk Management

The Directors formally acknowledge their responsibility for establishing effective internal control within the Company. The Board has put in place a system of internal controls, set within the framework of a clearly defined organisational structure, with well understood lines of responsibility, delegation of authority, accountability, policies and procedures, which is supported by training, monitoring, reporting and review procedures.

A long-term strategic plan (including a five-year financial plan) and an annual operating budget are prepared by management and agreed by the Board. Monthly reporting and analysis against budget and revised forecasts are reported formally to and challenged by the Board.

Internal Control and Risk Management (continued)
The Board approved RMF provides the Company with a structure for managing its enterprise-wide risks and driving an appropriate risk management culture. It sets out the governance, roles/responsibilities, management processes, methods, tools and supporting frameworks used by the Company to manage the risks associated with its business model and strategy.

Strategy is owned and set by the Board and it ensures that the risks associated with the strategy are identified and controlled appropriately. Appropriate risk information is reported to, and reviewed by the Board at each meeting, identifying the risks most important to the Company, determining their operational, financial, capital and liquidity implications, and assessing the adequacy and effectiveness of related controls.

The Company operates the three lines of defence model, in which risk management, risk oversight and independent assurance are distinct, separate activities. The structure provides an effective way to enhance clarity regarding risks and control processes helping to deliver a strong risk management culture.

First Line Management: Risk Ownership: The business functions have the primary responsibility for managing risks on a day- to-day basis and operating an effective suite of internal controls. They are responsible for implementing corrective actions to address process and control deficiencies.
The First Line identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with strategic and operational objectives.

Second line: Risk Oversight: The specialist functions, such as Risk and Compliance, are independent of the First Line and provide guidance, oversight and challenge to the business in relation to risk management. They are responsible for developing the RMF, overseeing the implementation of effective risk management practices by management, and providing expertise and independent challenge to risk owners.

Third Line: Independent Assurance: Internal Audit provides the Board and senior management with comprehensive assurance based on the highest level of independence and objectivity within the Company. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the way the first and second lines achieve risk management and control objectives.

Audit Committee
The Audit Committee comprises a Non-Executive Chairman and two further Non-Executive Directors, each with relevant financial experience. The Chief Executive Officer ('CEO'), Chief Finance Officer ('CFO'), Chief Risk Officer ('CRO'), Group General Counsel and the Global Head of Internal Audit attend all meetings by invitation and provide advice where appropriate. The external auditors attend all Audit Committee meetings.

The Audit Committee's principal oversight objectives are financial control and reporting, internal audit activities and external audit. The responsibilities encompass:

- Approval and oversight of the Internal Audit Plan, which examines and evaluates the adequacy and effectiveness of the Company's systems and internal controls;
- Reviewing recommendations and audit reports resulting from the audit plan and monitoring compliance with those recommendations;
- Accounting procedure and financial controls;
- Integrity of the financial statements and of any information published by the Company relating to its financial performance, including recommending the annual report to the Board;
- Financial and accounting policies and the key financial judgements employed;
- The results and the effectiveness of the Company's external audit; and
- Regulatory returns.

The Audit Committee is responsible for assessing the independence and recommending the appointment, removal and remuneration of the external auditors to the Board for approval. It is responsible for monitoring the provision of non-audit services to the Company.

Board Risk and Compliance Committee

The Board Risk and Compliance Committee ('BRCC') comprises a Non-Executive Chairman and three further Non-Executive Directors one of whom is the Chair of the UK Board Audit Committee. The CEO, CFO, CRO, Chief Compliance Officer ('CCO') and the Global Head of Internal Audit attend all meetings by invitation and provide advice where appropriate.

The primary purpose of the BRCC is the oversight of risk management and regulatory compliance across the Company. The responsibilities of the BRCC include reviewing and approving the:

- Risk management strategy, framework, policies and measurement systems;
- Overall approach to risk appetite, together with monitoring of specific risk appetite statements;
- Risk identification: identification of key risks, including project related and emerging risks facing the business;
- The framework for achieving regulatory compliance;
- The Business Continuity plan; and
- The Liquidity plan.

Both the Audit Committee and the BRCC are conscious that there are certain matters that could be considered by both Committees but ongoing dialogue between the Chairs and the relevant Executives ensure that there are no duplications or omissions.

Remuneration Committee

The Remuneration Committee comprises a Non-Executive Chairman and two further Non-Executive Directors. Other attendees may include the CEO, Chief Human Resources Officer, CRO and Group General Counsel as appropriate.

The principal objective of the Remuneration Committee is to make recommendations to the Board in respect of remuneration philosophy and the Company's remuneration framework. It is responsible for ensuring that the Company has a transparent, risk focused remuneration strategy that enables the Company to procure the levels of skill necessary to achieve its strategic objectives effectively and that it meets the Financial Conduct Authority's remuneration code requirements for a 'Tier Three Firm'. Responsibility for overseeing the embedding of the Senior Managers & Certification Regime ('SMCR') rests with the Remuneration Committee. The Company is monitoring the impact of COVID-19 on its employees and business and will consider it carefully in assessing performance outcomes.

Nominations Committee

The Nominations Committee is chaired by the Company's Non-Executive Chairman and includes four Non-Executive Directors. Other attendees may include the CEO, Chief Human Resources Officer, CRO and Group General Counsel as appropriate

The principal objective of the Nominations Committee is to review and to make recommendations to the Board in relation to the:

- Size, structure and composition of the Board and the Company's governing bodies;
- Nomination of individuals to the Company's Board and governing bodies;
- Appointment of all senior personnel including the description of the role and capabilities required for particular appointments;
- Board diversity; and
- Succession planning.

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2020.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Catherine Brown
Wallace Dobbin (appointed 10 March 2020)
Adrian Durham
Matthew Ferman (appointed 5 June 2020)
Susan Harris
Kristopher Love (appointed 5 June 2020)
Vivienne Sacco (resigned 19 June 2020)
Gregor Stewart
John Tomlins

Ownership and Group Structure

The Company is a wholly owned subsidiary of Kiwi UK Holdco 2, Ltd (an exempted company, incorporated under the laws of the Cayman Islands). The ultimate parent company is Falcon Newco Limited (an exempted limited company incorporated under the laws of the Cayman Islands). The ultimate controlling party is Kiwi Holdco CayCo, Ltd (an exempted limited company incorporated under the laws of the Cayman Islands) and the Company is a member of the Kiwi Holdco CayCo, Ltd group ('the Group'). All Cayman registered companies within the Group are UK tax residents.

The Group is the largest group of which the Company is a member, and which prepares consolidated financial statements. FNZ Group Services Ltd (an exempted limited company, incorporated under the laws of the Cayman Islands) prepares consolidated financial statements for the FNZ Group Services Ltd group and this group represents the smallest group of which the company is a member and which prepares consolidated financial statements.

The Company has five wholly owned, dormant subsidiaries

FNZ (UK) Nominees Limited
FNZ Wealth Nominees Limited
FNZ Wealth Nominees EUR Limited
FNZ Wealth Nominees USD Limited
FNZ Wealth Gross Nominees Limited

The Company has branches located in Czech Republic, Ireland, Italy and Switzerland. On 31 December 2020, the staff and assets from the branches in Italy and Switzerland were transferred to branches of FNZ Europe DAC (a Designated Authority Company, incorporated in the Republic of Ireland), another Company in the Group. The UK branches in Italy and Switzerland are in the process of being closed.

Shareholder Relations

The Company does not hold any specific meetings with its shareholders since it is a wholly owned subsidiary within the Group. Representatives from each of the Group's major shareholders are Directors of the Group Board and receive regular updates. The Non-Executive Chairman is also a Non-Executive Director of Kiwi Holdco CayCo, Ltd.

Results and Dividends

The audited financial statements and related notes for the year ended 31 December 2020 are set out on pages 17 to 45. The financial results for the year are summarised below:

	2020	2019
	£'000	£'000
Profit for the year ended 31 December:		
Revenue	**194,120**	172,376
Profit for the year after tax	**16,179**	27,790

In respect of the year ended 31 December 2020, the Directors recommended that no dividend be paid (2019: £nil).

Appropriation:		
Total comprehensive income for the year attributable to the equity holders	**15,894**	27,897

Share Issue

On 29 September 2020, 8,000,000 £1.00 Ordinary shares were issued to the Company's sole shareholder, Kiwi UK Holdco, 2 Ltd, in return for £8m, to be held as regulatory capital, given the increased scale of the Company's operations.

Bank Facilities

On 24 December 2019 the Company entered into a £10m revolving credit facility ('RCF'). This facility was a redesignation of the Group's existing RCF. This facility allows the Company to utilise bank loans for periods of one month to six months up to a maximum value of £10m. Further detail is available in Note 18 to the financial statements.

Post Balance Sheet Events

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

Financial Resources

FNZ (UK) Ltd is authorised and regulated by the FCA as an IFPRU limited licence Firm and is also a 'significant' IFPRU Firm according to IFPRU 1.2 definition. The Company is subject to the capital adequacy requirements set by the Capital Requirements Directive IV ('CRD IV') and Regulation (EU) No 575/2013 ("CRR"). The Directive established a framework for regulatory capital management, consisting of three pillars:

- **Pillar 1** – the higher of the Fixed Overhead Requirement (FOR); or the sum of the credit risk and market risk capital requirements; or the base capital requirement (€125k). The FOR is set as 25% of the fixed overheads of the previous financial year based on the most recent audited financial statements.

- **Pillar 2** – requires firms to assess whether the firm needs to hold additional capital against firm-specific risks not covered or not sufficiently covered under Pillar 1; and
- **Pillar 3** – requires firms to disclose information regarding their risk management and policies, own funds and capital requirements.

FNZ is a non-Individual Liquidity Adequacy Standards ('ILAS') firm subject to the liquidity standards in chapter 12 of the Prudential sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'). The Company is required to comply with the overall liquidity adequacy rule as a non-ILAS BIPRU firm. FNZ quantification of adequate liquid resources (amount and quality) is driven by the liquidity risk drivers considering the nature and level of the liquidity risks to which FNZ is (or might be) exposed, to ensure that there is no significant risk that its liabilities cannot be met as they fall due, even under stressed circumstances.

The Directors operate a strategy which is designed to ensure that the Company maintains levels of financial resources (capital and liquidity) that are adequate for the risks it faces. FNZ management and the Board regularly monitor the financial resources adequacy position. The Company prepares an Internal Capital Adequacy Assessment Process ('ICAAP') document which assesses the risk-based amount of financial resources that the Company is required to hold. This is a forward-looking exercise that includes stress testing and scenario analysis of major risks. The Company's ICAAP document is updated and reviewed at least annually as part of the business planning cycle, or more frequently should changes in the business, strategy, nature or scale of the Company's activities or operational environment suggest that the level of financial resources are inadequate.

Emissions and Energy Consumption

The approach used for the assessment of the Company's Greenhouse Gas emissions follows the methodology set out by the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBSCD) Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition). The Company uses an annual turnover (£m) intensity metric to allow meaningful comparison in subsequent years.

Scope	Organisation emissions (tCO2e)	tCO2e/£ million revenue	tCO2e/FTE
Scope 1	66.901	0.347	0.085
Scope 2	55.399	0.287	0.071
Scope 3	516.81	2.682	0.659
All Scopes	639.11	3.317	0.815

The annual energy consumption for the year was 498,233.78 kWh.

Energy efficiency improvements during the year include:

- Due to global pandemic the Company has seen a reduction in air travel, which has been replaced with online meeting facilities, resulting in new sustainable ways of future working.
- Initiating the transition of technological architecture to the Cloud, removing the necessity to store and process information in local networks and move towards outsourcing these tasks to centralised facilities.

Going Concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic and Directors' Reports.

As part of its normal business practice the Company prepares annual and longer-term plans. The Directors have reviewed the Company's financial position, its forecasts, its cash-flows, liquidity, capital, operational resilience and its borrowing facilities. The Directors have considered the impact of various severe but plausible scenarios, as well as a reverse stress test. These scenarios include severe market downturn, cyber security breach, and other idiosyncratic events. Kiwi Holdco CayCo, Ltd, the ultimate controlling party has confirmed to the Directors that, through its existing financial resources, it will provide support to the Company, should it be required, for a period of twelve months from 27 April 2021.

Having performed the Going Concern review, the Directors are satisfied that the Company has access to sufficient resources to meet its liabilities for the foreseeable future and therefore the Directors have confirmed that the financial statements should be prepared on a going concern basis.

Directors and their Interests

None of the Company's directors have a direct interest in the Company. One director has a loan from the Company with a balance outstanding at year end of £498k (2019: £490k). Certain directors have direct and indirect interests in the Company's ultimate controlling party Kiwi Holdco CayCo, Ltd. The value of the investments held by the Company's Non-Executive Directors are not considered sufficiently material to affect their independence.

Directors' Indemnities

The directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined in Section 234 of the Companies Act 2006.

Pension Scheme

The Company operates a defined contribution pension scheme in which all employees are eligible to participate.

Donations

No political donations were made during the year (2019: £nil).

Other Disclosures

Information relating to the following statutory disclosures can be found in the Strategic Report:

- Future Developments
- Research and Development
- Financial Risk Management
- Employee Information
- Statement of Engagement with Employees and other Stakeholders

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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.

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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and it is the intention of the directors to reappoint the auditor under the deemed appointment rules of Section 487 of the Companies Act 2006.

The Board of Directors authorised these financial statements for issue on 27 April 2021.

Approved by the Board and signed on its behalf by:

Kristopher Love
Director

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions Relating to Going Concern

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on Other Information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the Financial Statements and the Audit

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

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

Auditors' 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 auditors' 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.

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

Responsibilities for the Financial Statements and the Audit (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the higher level of judgment involved in determining the stage of completion and eventual outcome of each implementation contract and posting inappropriate journal entries to revenue or expenses. Audit procedures performed included:

- Enquiries with management, internal and external legal counsel, and individuals outside the finance function, including consideration of known or suspected instances of non compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes including those of the Board and the Audit Committee;
- Designing audit procedures that incorporated unpredictability around the nature, timing or extent of our testing to material and immaterial financial statement line items;
- Identifying and testing journal entries, focusing on those determined by us as displaying higher fraud risk characteristics, such as, but not limited to, unusual account combinations; entries with descriptions containing key unexpected words, and review for entries posted by unexpected users;
- Reading key correspondence with, reports to, and making enquiries of meetings with the Financial Conduct Authority in relation to compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other Required Reporting

Companies Act 2006 Exception Reporting

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

We have no exceptions to report arising from this responsibility.

Lindsay Gardiner

Lindsay Gardiner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
27 April 2021

FNZ (UK) Ltd
Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue			
Revenue from contracts with clients	4	**178,567**	158,287
Other operating income	4	**15,553**	14,089
		194,120	172,376
Operating expenses	6	**(174,883)**	(140,199)
Net impairment losses on contract assets		**-**	(494)
Other operating gains/(losses)	17	**633**	(475)
Operating profit		**19,870**	31,208
Finance income	8	**1,247**	745
Finance costs	8	**(3,682)**	(2,007)
Profit before taxation		**17,435**	29,946
Income tax expense	9	**(1,256)**	(2,156)
Profit for the year		**16,179**	27,790
Other comprehensive (expense)/income – items that may be reclassified to profit or loss			
Currency translation differences on foreign branches		**(285)**	107
Total other comprehensive (expense)/income for the year		**(285)**	107
Total comprehensive income for the year attributable to the equity holder		**15,894**	27,897

There are no items of other comprehensive (expense)/income which have not already been presented in arriving at the total comprehensive income for the year.

The notes on pages 21 to 45 form part of these financial statements

FNZ (UK) Ltd
Balance Sheet as at 31 December 2020

	Note	2020	2019
		£'000	£'000
Non-current assets			
Property, plant and equipment	13	**31,888**	26,197
Intangible assets	14	**1,408**	1,949
Deferred tax asset	12	**217**	875
Total non-current assets		**33,513**	29,021
Current assets			
Cash and cash equivalents	10	**50,247**	15,165
Trade and other receivables	11	**29,495**	58,200
Contract assets	5	**138,584**	95,146
Total current assets		**218,326**	168,511
Total assets		**251,839**	197,532
Current liabilities			
Trade and other payables	16	**32,001**	18,479
Contract liabilities	5	**622**	495
Current tax liability		**289**	1,396
Lease liabilities		**6,838**	4,534
Derivative financial instruments	17	**41**	674
Bank loan	18	**10,000**	-
Total current liabilities		**49,791**	25,578
Non-current liabilities			
Lease liabilities		**29,903**	26,582
Trade and other payables	16	**2,508**	-
Total non-current liabilities		**32,411**	26,582
Total liabilities		**82,202**	52,160
Equity			
Share capital	19	**25,890**	17,890
Share premium	19	**4,243**	4,243
Retained earnings		**140,909**	124,359
Foreign currency translation reserve		**(1,405)**	(1,120)
Total equity		**169,637**	145,372
Total equity and liabilities		**251,839**	197,532

The financial statements on pages 17 to 45 were approved by the Board of Directors on 27 April 2021 and signed on its behalf by:

Kristopher Love
Director

Company registration number: 05435760

The notes on pages 21 to 45 form part of these financial statements

FNZ (UK) Ltd
Statement of Changes in Equity for the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Total equity £'000
Balance at 1 January 2019	11,390	4,243	96,306	(1,227)	110,712
Issue of shares in the year	6,500	-	-	-	6,500
Profit for the year	-	-	27,790	-	27,790
Share-based compensation plan - value of employee services	-	-	263	-	263
Other comprehensive income for the year	-	-	-	107	107
Balance at 31 December 2019	**17,890**	**4,243**	**124,359**	**(1,120)**	**145,372**
Issue of shares in the year	8,000	-	-	-	8,000
Profit for the year	-	-	16,179	-	16,179
Share-based compensation plan - value of employee services	-	-	371	-	371
Other comprehensive expense for the year	-	-	-	(285)	(285)
Balance at 31 December 2020	**25,890**	**4,243**	**140,909**	**(1,405)**	**169,637**

The notes on pages 21 to 45 form part of these financial statements

FNZ (UK) Ltd
Statement of Cash Flows for the year ended 31 December 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Profit before taxation	**17,435**	29,946
Adjustments for:		
Interest income	**(1,247)**	(745)
Interest expense	**3,682**	2,007
Depreciation and amortisation	**8,896**	7,796
Share based payment expense	**371**	263
Operating profit before working capital changes	**29,137**	39,267
Adjustments for:		
(Increase)/decrease in trade and other receivables	**(3,641)**	2,839
Increase in contract assets	**(43,438)**	(31,290)
(Increase)/decrease in prepayments and other debtors	**(940)**	656
Increase/(decrease) in trade and other payables	**15,397**	(5,458)
Increase/(decrease) in contract liabilities	**127**	(361)
Net intercompany inflows	**33,759**	866
Operating cash inflow after working capital changes	**30,401**	6,519
Taxation paid	**(1,705)**	(1,391)
Net cash generated from operating activities	**28,696**	5,128
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,426)**	(58)
Additions to intangible assets	**(658)**	(1,322)
Net cash used in investing activities	**(2,084)**	(1,380)
Cash flows from financing activities		
Issue of share capital	**8,000**	6,500
Drawdown from bank loan facility	**10,000**	-
Interest received	**44**	8
Interest paid	**(506)**	-
Lease payments	**(8,783)**	(7,774)
Net cash generated from/(used in) financing activities	**8,755**	(1,266)
Impact of foreign exchange	**(285)**	107
Net increase in cash and cash equivalents	**35,082**	2,589
Cash and equivalents at 1 January	**15,165**	12,576
Cash and equivalents at 31 December	**50,247**	15,165
Represented by:		
Cash	**50,247**	15,165
	50,247	15,165

The notes on pages 21 to 45 form part of these financial statements

1. General information

FNZ (UK) Ltd's ('FNZ' or the 'Company') principal activity is to work with major financial institutions to provide a set of core, outsourced technology and asset administration services that span the entire wealth management value chain. The Company is incorporated and domiciled in the United Kingdom with the registered address Suite 1, 3rd Floor 11-12 St. James's Square, London SW1Y 4LB and company number 05435760. The Company is regulated by the Financial Conduct Authority ('FCA') in the United Kingdom (registration number: 438687). The Company has branches located in Czech Republic, Ireland, Italy and Switzerland.

The ultimate parent company is Falcon Newco Limited (an exempted limited company formed under the laws of the Cayman Islands). The ultimate controlling party is Kiwi Holdco Cayco, Ltd (an exempted limited company formed under the laws of the Cayman Islands) and the Company is a member of the Kiwi Holdco CayCo, Ltd group ('the Group').

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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

Non-statutory consolidated financial statements are prepared for Kiwi Holdco CayCo, Ltd. Consolidated financial statements are not prepared for the Company as a consolidation exemption has been taken under section 405 of the Companies Act due to the only subsidiaries being dormant companies which are not considered to be material for the purposes of consolidation. Details of the subsidiaries have been disclosed in note 15.

(c) Going concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic and the Directors' Reports.

As part of its normal business practice the Company prepares annual and longer-term plans. The Directors have reviewed the Company's financial position, its forecasts, its cash-flows, liquidity, capital, operational resilience and its borrowing facilities. The Directors have considered the impact of various severe but plausible scenarios, as well as a reverse stress test. These scenarios include severe market downturn, cyber security breach, and other idiosyncratic events. Kiwi Holdco CayCo, Ltd, the ultimate controlling party has confirmed to the Directors that, through its existing financial resources, it will provide support to the Company, should it be required, for a period of twelve months from the approval of the financial statements.

Having performed the Going Concern review, the Directors are satisfied that the Company has access to sufficient resources to meet its liabilities for the foreseeable future and therefore the Directors have confirmed that the financial statements should be prepared on a going concern basis.

2. Statement of significant accounting policies (continued)

(d) Revenue from contracts with clients

The Company's revenue from contracts with clients relates to the types of transactions included within this note. FNZ provides transaction and custody services to financial institutions to support the provision of wealth management services by these institutions to their intermediaries and end customers. FNZ defines these institutions as its clients and the end customers of these institutions are defined as customers.

i. Asset servicing

These are fees related to the performance obligations associated with the provision of ongoing dealing, pricing and custodial services charged to clients for the use of FNZ platforms. Revenue is recognised based on Assets-Under-Administration ('AuA'), subject to contractual minimum fees, and in accordance with contractually agreed charging structures set out in the underlying clients contracts.

Clients simultaneously receive and consume the benefits of using live FNZ platforms and fees are calculated, as the performance obligation is satisfied, on either (a) minimum fees or (b) by applying contracted basis points to the AuA on the platform. Revenue is recognised at a point in time with these fees being charged or accrued monthly.

ii. Implementation and enhancement revenue

These are fees related to the performance obligations associated with the development and configuration of custody service platforms. It is FNZ's policy that platform implementation projects (which include enhancements to existing clients' platforms) are separate performance obligations from the ongoing asset servicing and these are separately identifiable obligations within client contracts with separately determinable transaction prices. Due to the nature of these projects taking multiple periods, the revenue is recognised over time 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 project's total estimated costs.

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. '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 the 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 an input method in accordance with the revenue accounting standard, IFRS 15. To calculate the stage of completion on a project, management must assess the forecasted costs-to-complete the project. This forecast of future costs is a deemed to be a key accounting estimate for the financial statements.

Revenue is recognised net of VAT and in accordance with IFRS 15 in proportion to the work or services which have been performed, based upon legally binding agreements and the specific terms of each client contract. Typically the Company's implementation and enhancement services are provided under fixed-price contracts although the Company has also entered into contracts where revenue is linked to AuA and variable in nature. Where revenue is variable, the future fees receivable are estimated in line with the terms of the client contract and using AuA forecasts taking into account all reasonably available information. This use of forecast AuA to estimate variable consideration receivable is deemed to be a key accounting estimate for the financial statements.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Revenue is invoiced in line with the agreed terms set out in the underlying client contracts. Where revenue recognised exceeds the amount invoiced, this is recognised as a contract asset. Where amounts invoiced exceed revenue recognised the invoiced amount is recognised as contract liability and held on the balance sheet before being released to the Statement of Comprehensive Income as the revenue recognition criteria is met. 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.

2. Statement of significant accounting policies (continued)

(d) Revenue from contracts with clients (continued)

iii. Revenue from contracts with clients via other Group entities

Where the Company incurs development costs in relation to client contracts which are entered into by other Group entities, the Company will recharge the relevant Group entity for the revenue that has been earned from work undertaken by staff and other utilised resources of the Company. Revenue is recognised at the point in time when the revenue earned from use of the Company's resources becomes rechargeable.

iv. Cost recharges

The Company incurs certain costs on behalf of clients. Costs are recharged to clients in line with contractually agreed charging structures set out in the underlying client contracts. Revenue is recognised at a point in time when the cost is rechargeable.

(e) Other operating income

i. Development services recharges

Development service recharge revenue arises when the Company undertakes development work on behalf of other Group companies. This work includes development of IP assets held elsewhere in the Group. Costs incurred by the Company for this work are identified and charged to the recipient companies. Revenue is recognised at the point in time when the cost is rechargeable.

ii. Management services recharges

The Company performs certain business support functions on behalf of other companies within the Group. Related costs are identified by management with recharges based on management's estimate of services performed. Costs are recharged to the recipient companies with an appropriate mark-up. Revenue is recognised at the point in time when the cost is rechargeable.

iii. Sub-lease rental income

The Company sublets part of its office space. Rental income arising is recognised over time on a straight-line basis over the life of the lease.

(f) Contract balances

i. Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the client. If the Company satisfies a performance obligation by transferring goods or services to a client before the client pays consideration, or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Company holds contract assets with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

ii. Contract liabilities

A contract liability is the obligation to transfer goods or services to a client for which the Company has received consideration (or an amount of consideration is due) from the client. If a client pays consideration before the Company transfers goods or services to the client, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

(g) Finance income and cost

Finance income arising on financial assets at amortised cost is calculated using the effective interest method and is recognised in the Statement of Comprehensive Income. Finance costs 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.

2. Statement of significant accounting policies (continued)

(h) Foreign currency translation

Foreign currency transactions are translated into the Company's functional currency ('GBP') using the exchange rates prevailing at the dates 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. Translation differences arising on consolidation of the Company's European branches are recognised in other comprehensive income with the foreign currency translation reserve representing the cumulative impact of these translation differences on consolidation.

(i) Derivative financial instruments

The Company's derivative financial instruments held are measured at fair value. These instruments are initially recognised at fair value on the date the 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.

(j) Leases

The Company leases various properties and computer equipment. Rental contracts are typically made for fixed periods of 3 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. The Company uses recent third-party financing received by the Group as a reference when determining the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise some computer equipment and small items of office furniture.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand available for use by the Company.

2. Statement of significant accounting policies (continued)

(l) Property, plant and equipment

Property, plant and equipment ('PP&E') comprises office buildings, 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:

- Office properties: 15-20 years (2019: 15-20 years)
- Computers & other equipment: 3-5 years (2019: 3-5 years)
- Fixtures, fittings & furnishings: 3-5 years (2019: 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 and an impairment loss is recognised as an expense immediately.

(m) Intangible assets

Intangible assets comprise internally generated intellectual property ('IP') and acquired software licences.

During 2019, the Company transferred the IP assets it held to FNZ Group Services Ltd, another company within the Group. Following the IP transfer, the Company incurs a royalty charge for the use of IP now held at FNZ Group Services Ltd. This royalty is contingent on the Company generating revenue where this royalty is calculated relative to the benefit the Company has earned from use of this IP.

Acquired software licenses are amortised using the straight line method over the useful life of the asset with this typically being 3 years. 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 6.

(n) Trade and other receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Trade receivables are amounts due from clients for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade and other receivables do not carry any interest (except intercompany receivables - see note 2(p)) and are accounted for at issue date. The Company holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer to accounting policies of financial assets in note 2(q) for further details on this subsequent measurement and details of the Company's impairment policies.

(o) Trade and other payables

Trade and other payables are not interest bearing (except intercompany payables) and are stated at their nominal value.

(p) Intercompany receivables

Intercompany receivables are interest bearing and are carried at amortised cost plus cumulative interest which is calculated using effective interest rate method. Interest applied to intercompany balances is calculated on base rate plus 250 to 325 basis points (2019: base rate plus 250 basis points). The Company holds intercompany receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer to accounting policies of financial assets in note 2(q) for further details on this subsequent measurement.

2. Statement of significant accounting policies (continued)

(q) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

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

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ('FVOCI').

Recognition and derecognition

Typical purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Initial recognition and measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement - debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income. Impairment losses are presented as a separate line item within operating expenses.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, for trade receivables and contract assets.

2. Statement of significant accounting policies (continued)

(r) Financial liabilities

Classification and subsequent measurement
Financial liabilities are measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. All other financial liabilities are measured at amortised cost.

Derecognition
The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(s) 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 have 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.

(t) VAT
The majority of the services currently supplied by the Company are exempt from UK VAT. However, due to the Company's taxable business activities and 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.

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 transactions with related Group companies.

The Statement of Comprehensive Income and the Statement of Cash Flows have been prepared on a VAT inclusive basis, in relation to expenditure.

(u) Other provisions
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 cost of discharging the obligation.

(v) Share-based payments
The Company operates a management equity scheme by issuing shares in Kiwi Holdco Cayco, Ltd to employees and other specific individuals. The Company applies the requirements of IFRS 2 'Share-based Payments' in respect of these share awards.

The cost of recipients' services received in exchange for the grant of rights under the scheme is measured at the fair value of the equity instrument granted and is charged in the Statement of Comprehensive Income over the estimated vesting period.

3. Critical accounting judgements and estimates

The preparation of the Company's financial statements requires the use of accounting estimates where, by definition, it will not be known if they will equal actual results. The Directors also have to make judgments and estimates on how to apply the Company's accounting policies. The areas involving significant estimates or judgements are:

Critical accounting judgements

- Identifying performance obligations within client contracts and policy that platform implementation and enhancement projects are separate performance obligations from the ongoing asset servicing and that these are separately identifiable obligations within client contracts with separately determinable transaction prices - refer to note 2(d)

Critical accounting estimates

- Recognition of revenue from client contracts where performance obligations are satisfied over a period of time on a stage of completion basis using percentage cost-to-complete method which requires estimate of future project costs - refer to note 2(d)
- Estimate of implementation and enhancement revenue receivable from client contracts where fees are calculated with reference to AuA and variable in nature - refer to note 2(d)
- Determining the Company's incremental borrowing rate which is applied to lease liabilities where interest rate implicit in the lease cannot be determined - refer to note 2(j)
- Allocation of staff time for business support functions working on behalf of other companies within the Group with benefit of staff time estimated by senior management based on work undertaken - refer to note 2(e)

4. Revenue

	2020	2019
	£'000	£'000
Revenue from contracts with clients:		
Asset servicing fees	**78,533**	73,145
Implementation and enhancement fees	**93,557**	72,996
Revenue from contracts with clients via other Group entities	**3,101**	10,488
Cost recharges to clients	**3,376**	1,658
	178,567	158,287
Other operating income:		
Development services recharge	**13,648**	7,896
Management services recharge	**1,313**	5,327
Sub-lease rental income	**281**	281
Other income	**311**	585
	15,553	14,089
	194,120	172,376

Asset servicing fees have increased in the year due to continued growth in AuA.

Increase in implementation and enhancement revenue in 2020 is primarily driven by enhancement fees agreed with existing client base.

Decrease in revenue from contracts with clients via other Group entities is a result of relocation of staff previously employed by the Company to other entities within the Group, which resulted in reduced recharge revenue.

Development services recharge income primarily relates to the recharge of costs incurred by the Company in relation to the development of IP on behalf of the Group. This IP development increased in the year following increased development spend being incurred by the Company.

Management services recharge income has decreased in the year following the transfer of staff during 2019 to FNZ Group Services Ltd. The staff transferred would have previously generated recharge income for the Company for management time spent working on behalf of the Group.

5. Contract assets and liabilities

The Company recognises the following revenue-related contract assets and liabilities:

	2020 £'000	2019 £'000
Contract assets relating to implementation and enhancement fees	**138,584**	95,640
Impairment loss on receivables from contract assets relating to implementation and enhancement fees (note 20)	-	(494)
Total contract assets	**138,584**	95,146
Contract liabilities relating to asset servicing fees	**622**	495
Total contract liabilities	**622**	495

Significant changes in contract assets and liabilities
Contract assets have increased in the year due to a combination of increased implementation and enhancement revenue and increased revenue being calculated and collected with reference to AuA in future periods.

Sensitivity of contract assets to critical accounting estimates
Implementation and enhancement revenue is calculated using the percentage cost-to-complete method, 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. Invoices relating to implementation and enhancement revenue are issued to clients in line with the agreed terms set out in the underlying client contract. Contract assets relating to implementation and enhancement fees arise when fees earned exceed invoices issued. As a result the carrying value of contract assets is directly impacted by the revenue calculation which requires an estimate of future project costs when a project is not complete at the reporting date. The sensitivity of the carrying value of the Company's contract assets to this estimate of future project costs is shown below.

	Impact on carrying value of contract assets	
	2020 £'000	2019 £'000
10% decrease in future project cost estimate	**1,195**	1,958
10% increase in future project cost estimate	**(1,157)**	(1,818)

	Impact on carrying value of contract assets	
	2020 £'000	2019 £'000
10% decrease in future AuA estimate	**4,296**	-
10% increase in future AuA estimate	**(4,296)**	-

The Company's contract asset balance is sensitive to the estimate of future AuA following a significant client contract being agreed in the year that links implementation and enhancement revenue receivable to AuA during the term of the contract.

6. Operating expenses

The operating profit is stated after charging:

	2020 £'000	2019 £'000
Staff costs (note 7)	**59,050**	59,895
Royalty charge from other Group companies for use of intellectual property	**35,397**	17,507
Contract staff and consultancy fees	**18,018**	9,452
IT costs, hardware and software maintenance	**11,693**	11,302
Operational platform costs	**11,118**	7,989
Other expenses	**11,150**	11,541
Depreciation & amortisation (notes 13 and 14)	**8,896**	7,796
Development services recharges	**7,556**	3,392
Short term leases and service agreements	**6,527**	4,465
Management services recharges	**4,566**	3,144
Travel & entertainment	**912**	3,716
Total operating expenses	**174,883**	140,199

The Company entered into a royalty agreement with FNZ Group Services Ltd in July 2019 for use of IP held by that company. This has driven an increase in royalty expense in the year, with this agreement having been in place throughout 2020.

The Company increased its development spend in the year. Additional spend was incurred in relation to third party contract staff, consultants and development services recharges, which reflect the utilisation of staff employed by other entities within the Group. This increased spend is linked to the increased implementation and enhancement revenue in the year (refer to note 5).

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

	2020 £'000	2019 £'000
Services:		
Statutory audit	**300**	300
Audit related assurance	**569**	582
Other assurance services	**168**	162
Tax advisory services	**79**	116
Tax compliance services	**19**	27
Total paid to auditors	**1,135**	1,187

7. Staff costs

	2020 £'000	2019 £'000
Wages and salaries	**48,449**	49,491
Social security costs	**8,183**	8,140
Other pension costs	**2,047**	2,001
Share-based payment expense (note 21)	**371**	263
Total staff costs	**59,050**	59,895

Employee wages, salaries and social security costs are included within the overall staff costs disclosed in note 6.

Average monthly number of employees	2020 No.	2019 No.
Operations	**579**	517
Product development and delivery	**344**	353
Administration (including sales and executives)	**31**	72
	954	942

The Company operates a Group Personal Pension scheme for its UK and Czech employees and pays into the appropriate pension schemes for other foreign employees. The assets of the scheme are held separately on a defined contribution basis under an insured arrangement.

The total cost charged to the Statement of Comprehensive Income of £2,047k (2019: £2,001k) represents contributions payable to these schemes by the Company at rates specified in the rules of the scheme. During the year, employer contributions to the UK pension scheme were 6% (2019: 6%).

As at 31 December 2020, contributions of £638k (2019: £490k) due in respect of the current financial year had not been paid over to the scheme.

8. Finance income and costs

	2020 £'000	2019 £'000
Finance income:		
Interest on intercompany balances	**1,203**	737
Other interest	**44**	8
	1,247	745

	2020 £'000	2019 £'000
Finance costs:		
Interest on leases	**2,447**	1,974
Interest on intercompany balances	**729**	-
Other interest	**506**	33
	3,682	2,007

The interest on intercompany balances has been calculated using interest rates of 250 to 325 basis points above the base rate (2019: 250 basis points above the base rate) of the country of the company in the receivable position.

9. Income tax expense

	2020	2019
	£'000	£'000
Current tax:		
Current tax on profit for the year	**1,352**	2,684
Adjustment in respect of prior years	**(754)**	-
Foreign tax relief	**(325)**	(179)
Foreign tax suffered	**325**	282
Total current tax	**598**	2,787
Deferred tax:		
Originations and reversal of temporary differences	**163**	(764)
Adjustment in respect of prior years	**495**	53
Impact of change in UK tax rate on deferred tax	**-**	80
Total deferred tax (note 12)	**658**	(631)
Taxation expense	**1,256**	2,156

The tax assessed for the year differs from the statutory rate of corporation tax in the UK of 19% (2019: 19%). This difference is further explained below.

	2020	2019
	£'000	£'000
Profit before taxation	**17,435**	29,946
Tax on profit at standard UK tax rate of 19% (2019: 19%)	**3,313**	5,690
Adjusted by tax effect of:		
Adjustments in respect of prior years	**(259)**	53
Expenses not deductible	**(11)**	20
Effects of group relief	**(1,787)**	(3,887)
Effects on other tax rates	**-**	80
Effects of overseas tax rates	**-**	103
Exempt amounts	**-**	97
Taxation expense	**1,256**	2,156

Further information about deferred income tax is presented in Note 12.

10. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and cash equivalents	**50,247**	15,165

11. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	**15,790**	12,149
Amounts due from related entities (note 21)	**6,479**	39,765
Prepayments	**4,134**	3,631
Other receivables	**3,092**	2,655
	29,495	58,200

Amounts due from related entities are the only receivables that carry interest. Refer to note 2(p) for interest rates applied to amounts due from related entities.

12. Deferred tax asset

	2020 £'000	2019 £'000
At 1 January	**875**	244
Adjustment in respect of prior years	**(495)**	(53)
Deferred tax charge to income statement for the year	**(163)**	684
At 31 December	**217**	875
Deferred taxation at 31 December comprises:		
Fixed assets	**170**	83
Unutilised tax losses	**47**	286
Unpaid pension contributions	**-**	506
Deferred tax asset	**217**	875

Deferred income tax assets are recognised 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 will be utilised.

13. *Property, plant and equipment*

	Office properties £'000	Computers & other equipment £'000	Fixtures, fittings & furnishings £'000	Total £'000
Cost				
As at 1 January 2019	16,677	18,954	2,203	37,834
Additions	2,121	1,356	9	3,486
As at 31 December 2019	**18,798**	**20,310**	**2,212**	**41,320**
Accumulated depreciation				
As at 1 January 2019	(1,945)	(4,967)	(1,441)	(8,353)
Depreciation charge for the year	(1,811)	(4,629)	(330)	(6,770)
As at 31 December 2019	**(3,756)**	**(9,596)**	**(1,771)**	**(15,123)**
Net book value				
As at 31 December 2019	**15,042**	**10,714**	**441**	**26,197**
Cost				
As at 1 January 2020	18,798	20,310	2,212	41,320
Additions	5,980	2,336	5,072	13,388
As at 31 December 2020	**24,778**	**22,646**	**7,284**	**54,708**
Accumulated depreciation				
As at 1 January 2020	(3,756)	(9,596)	(1,771)	(15,123)
Depreciation charge for the year	(2,654)	(4,187)	(856)	(7,697)
As at 31 December 2020	**(6,410)**	**(13,783)**	**(2,627)**	**(22,820)**
Net book value				
As at 31 December 2020	**18,368**	**8,863**	**4,657**	**31,888**

The Directors' review of impairment indicators did not result in the inclusion of any impairment loss in the Statement of Comprehensive Income.

Information on the value of assets held under lease agreements has been disclosed in note 22.

14. Intangible assets

	Intellectual property £'000	Software licences £'000	Total £'000
Cost			
As at 1 January 2019	40,296	5,318	45,614
Additions	-	1,322	1,322
Transfer to FNZ Group Services Ltd	(25,960)	-	(25,960)
Disposals	(14,336)	-	(14,336)
As at 31 December 2019	**-**	**6,640**	**6,640**
Accumulated amortisation			
As at 1 January 2019	(22,428)	(3,665)	(26,093)
Amortisation charge for the year	(5,026)	(1,026)	(6,052)
Released on transfer to FNZ Group Services Ltd	13,118	-	13,118
Released on disposal	14,336	-	14,336
As at 31 December 2019	**-**	**(4,691)**	**(4,691)**
Net book value			
As at 31 December 2019	**-**	**1,949**	**1,949**
Cost			
As at 1 January 2020	-	6,640	6,640
Additions	-	658	658
As at 31 December 2020	**-**	**7,298**	**7,298**
Accumulated amortisation			
As at 1 January 2020	-	(4,691)	(4,691)
Amortisation charge for the year	-	(1,199)	(1,199)
As at 31 December 2020	**-**	**(5,890)**	**(5,890)**
Net book value			
As at 31 December 2020	**-**	**1,408**	**1,408**

The Directors' review of impairment indicators did not result in any inclusion of any impairment loss in the Statement of Comprehensive Income.

On 25 July 2019, the Company transferred the IP assets it held to FNZ Group Services Ltd, another company within the Group. This transfer occurred following the transfer of staff (including key management) from the Company to FNZ Group Services Ltd which also took place during that year. This IP transfer was in line with the Group's transfer pricing policy which aims to align IP development costs across the Group with the expected future benefits that are associated with them. Following the transfer, the Company incurs a royalty charge for the use of IP now held at FNZ Group Services Ltd with this being calculated relative to the benefit the Company has earned from use of this IP.

Refer to note 22 for information on the value of leased assets held.

15. Investments in subsidiary undertakings

The Company has investments in FNZ (UK) Nominees Limited (Company No. 05471102), FNZ Wealth Gross Nominees Limited (Company No. 08472251), FNZ Wealth Nominees Limited (Company No. 08472254), FNZ Wealth Nominees EUR Limited (Company No. 10492170) and FNZ Wealth Nominees USD Limited (Company No. 10491868), 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 Suite 1, 3rd Floor 11-12 St. James's Square, London SW1Y 4LB.

The net book value of the investment in FNZ (UK) Nominees Limited is £1 (2019: £1). This value is considered to be equal to the subsidiary's fair value at balance sheet date. The net book value of the investments in FNZ Wealth Gross Nominees Limited, FNZ Wealth Nominees Limited, FNZ Wealth Nominees EUR Limited and FNZ Wealth Nominees USD Limited are £100 each (2019: £100). This value is considered to be equal to the subsidiaries' fair values at balance sheet date.

16. Trade and other payables

	Current 2020 £'000	Current 2019 £'000
Trade payables	**10,475**	6,835
Employee related payables	**6,621**	6,228
Other payables	**14,905**	5,416
	32,001	18,479

	Non-current 2020 £'000	Non-current 2019 £'000
Other payables	**2,508**	-

Trade and other payables are stated at their nominal value and are unsecured.

17. Derivative financial instruments

	Carrying amount		**Fair value level 2**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Financial (liabilities)/assets measured at fair value				
As at 1 January	**(674)**	(199)	**(674)**	(199)
Increase/(decrease) in fair value for the year	**633**	(475)	**633**	(475)
As at 31 December	**(41)**	(674)	**(41)**	(674)

Forward foreign exchange contracts are entered into for the purchase of Czech Republic Koruna for development and operational work from the Company's Czech branch. The forward foreign exchange contracts are not designated as hedging instruments and hedge accounting is not applied. The fair value is based on year-end forward rates. Similar contracts are traded in an active market and the quotations reflect the actual transactions in similar instruments; as such these contracts are classified as fair value level 2. This classification is prescribed by IFRS 13 'Fair Value Measurement' and an explanation of this level has been provided below.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

18. Bank loan

	2020	2019
	£'000	£'000
Drawn RCF	**10,000**	-

The Company has a single £10,000k revolving credit facility ('RCF'), which allows the Company to utilise loan funding up to the value of the facility for periods ranging from one month to six months.

At the year end, the full value of the facility was utilised and repayable on 15 March 2021. The full balance was subsequently rolled over, to be repayable on 15 July 2021.

A cash margin ratchet with margins between 2.25% and 3.00% p.a. payable applies to the RCF. Interest is repayable at the end of the agreed utilisation period.

19. Share capital and share premium

The Company is a private company limited by shares. Details of the Company's authorised share capital have been provided below. All shares are issued and fully paid. The Company has no unpaid share capital (2019: nil).

	No. of shares		Share capital		Share premium	
	2020	2019	2020	2019	2020	2019
			£'000	£'000	£'000	£'000
Ordinary shares						
Fully paid	**25,890,300**	17,890,300	**25,890**	17,890	**4,243**	4,243
Unpaid	-	-	-	-	-	-
Total	**25,890,300**	17,890,300	**25,890**	17,890	**4,243**	4,243

On 29 September 2020 the Company issued 8,000,000 £1 ordinary shares at par for cash.

20. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk 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. As such the sensitivity of profit or loss to changes in exchange rates mainly arises from CZK denominated forward exchange contracts.

The Company has a dedicated Risk and Compliance Committee that focuses 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 Czech Republic Koruna ('CZK'). Foreign exchange risk arises from commercial transactions and intercompany transactions. The Company partially mitigates foreign exchange risk through forward foreign exchange contracts in CZK. The sensitivity of the Company's profit or loss to changes in the GBP/CZK exchange rate is shown below. This represents the only significant foreign exchange movement the Company is exposed to.

	Impact on post-tax profit	
	2020	2019
	£'000	£'000
GBP/CZK exchange rate - increase 10%*	**(2,171)**	(2,375)
GBP/CZK exchange rate - decrease 10%*	**2,653**	2,903

*Holding all other variables constant

20. Financial risk management (continued)

Market risk (continued)

Price risk

The Company's service fee revenue and certain implementation and enhancement revenue contracts are linked to the market value of Assets-under-Administration ('AuA'). This value affects the amount of revenue earned. The risk of a significant reduction in AuA is partially mitigated as only a portion of AuA has an underlying exposure to the equity market and the fact that most client contracts include minimum annual fees that are not linked to the value of AuA.

The Company's forward foreign exchange contracts are the only assets or liabilities which are held at market value. The finance team are responsible for arranging these forward contracts and monitoring the positions to ensure the associated risks are mitigated within acceptable levels of risk appetite.

Interest rate risk

The Company's main interest bearing liabilities are its lease liabilities (note 22), the RCF (note 18), and its intercompany balances (note 21). Lease interest rates are fixed when entering into the lease. The RCF rate is set every time the facility is renewed, as per note 18. For the intercompany liabilities, the Company has entered into a netting agreement with all companies in the Group. The Directors consider this agreement to adequately mitigate the interest rate risks associated with the related party balances.

The Company's income and operating cash-flows are substantially independent of changes in market interest rates.

The Company analyses its interest rate exposure on an ongoing basis. On an annualised basis, if interest rates on variable interest rate borrowings had been 200 basis points higher/lower with all other variables held constant, Company pre-tax profit for the year would have been £38k lower/higher respectively (2019: £452k).

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 clients, including outstanding receivables and committed transactions.

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, for trade receivables and contract assets. The credit risk assessments carried out in respect of the Company's financial assets has not resulted in any expected credit losses in the current year. Credit risk is not typically considered significant as the Company's client base consists of large financial institutions.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. An impairment loss was recognised in respect of a client contract in the prior year. An agreement was reached with the client to cancel the project and the revenue associated with work performed on the contract was no longer recoverable.

20. Financial risk management (continued)

Credit risk (continued)

A summary has been provided below of the financial assets which the Directors consider to have credit risk.

	Gross carrying amount £'000	Expected credit loss allowance £'000	Receivables written off during the year as uncollectible £'000	Net carrying amount £'000
As at 31 December 2020				
Trade receivables	**15,790**	-	-	**15,790**
Contract assets	**138,584**	-	-	**138,584**
Amounts due from related entities (note 21)	**6,479**	-	-	**6,479**
As at 31 December 2019				
Trade receivables	12,149	-	-	12,149
Contract assets	95,640	-	(494)	95,146
Amounts due from related entities (note 21)	39,765	-	-	39,765

No trade receivables within the net carrying amount shown above are noted as remaining past due (2019: £nil).

Liquidity risk

Liquidity risk primarily results from the irregular timing of cash receipts associated with client implementations. FNZ management reviews cash flow forecasts regularly and actively manages cash requirements to ensure that the Company has sufficient funds to meet its needs.

The table below provides a maturity analysis for the Company's liabilities on a gross, undiscounted basis:

	6 months or less £'000	6 - 12 months £'000	1 - 5 years £'000	More than 5 years £'000
At 31 December 2020				
Trade payables	**10,475**	-	-	-
Employee related payables	**6,621**	-	-	-
Other payables	**14,168**	**737**	**2,508**	-
Contract liabilities	**622**	-	-	-
Current tax liability	**289**	-	-	-
Lease liabilities	**3,022**	**3,816**	**20,094**	**9,809**
Derivative financial instrument	**(60)**	**101**	-	-
Bank loan	**10,000**	-	-	-
	45,137	**4,654**	**22,602**	**9,809**
At 31 December 2019				
Trade payables	6,835	-	-	-
Employee related payables	6,228	-	-	-
Other payables	5,416	-	-	-
Contract liabilities	495	-	-	-
Current tax liability	1,396	-	-	-
Lease liabilities	1,706	2,828	18,269	8,313
Derivative financial instrument	331	343	-	-
Bank loan	-	-	-	-
	22,407	3,171	18,269	8,313

20. Financial risk management (continued)

Capital management

The following disclosures relating to capital management are unaudited unless otherwise stated, and should be read in conjunction with the Regulatory Capital Requirements section of the Director's Report on page 11.

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

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

Capital adequacy and the use of regulatory capital are monitored monthly by the Company's board, employing techniques based on the guidelines developed by the Basel Committee and the European Commission 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 resources are exclusively comprised of Common Equity Tier 1 ('CET 1') items.

The table below summarises the composition of regulatory capital of the Company for the years ended 31 December 2020 and 31 December 2019. The Company is compliant with all applicable externally imposed capital requirements.

	2020	2019
	£'000	£'000
Common Equity Tier 1		
Fully paid up share capital	**17,890**	17,890
Share premium	**4,243**	4,243
Retained earnings	**140,909**	124,359
Foreign currency translation reserve	**(1,405)**	(1,120)
Less: Deduction for intangible assets	**(1,408)**	(1,949)
Total qualifying Common Equity Tier 1 capital	**160,229**	143,423
Total regulatory capital	**160,229**	143,423

On 29 September 2020 the Company issued 8,000,000 £1 ordinary shares at par which are not included in the Company's CET 1 as at 31 December 2020. The company must obtain the FCA permission through the UK Capital Requirements Regulation (UK CRR) permissions process confirming this issuance meets the criteria set out in Article 28 of the UK CRR. The company is not able to classify capital instruments as CET 1 before this permission is granted.

Internal Capital Adequacy Assessment Process

The objective of the ICAAP is to identify the key risks that the Company's business activities give rise to, assess the adequacy of its control environment and quantify the appropriate level of capital to be held by the firm at all times.

The ICAAP is reviewed by senior management and approved by the Board of Directors on at least an annual basis. The Board retains ultimate responsibility for the ICAAP. The ICAAP is subject to review, robust challenge, and approval (where appropriate) with engagement by senior management and the Board through a structured governance process. 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.

21. Related parties

The Company is a wholly owned subsidiary of Kiwi UK Holdco 2, Ltd (an exempted limited company, formed under the laws of the Cayman Islands). The ultimate parent company is Falcon Newco Limited (an exempted limited company formed under the laws of the Cayman Islands). The ultimate controlling party is Kiwi Holdco Cayco, Ltd (an exempted limited company formed under the laws of the Cayman Islands) and the Company is a member of the Kiwi Holdco CayCo, Ltd group ('the Group'). All Cayman registered companies within the Group are UK tax residents.

Transactions with related entities

The Company has entered into the following transactions with related parties during the year:

	2020	2019
	£'000	£'000
Immediate parent – Kiwi UK Holdco 2, Ltd		
Subscription for share capital (note 19)	**8,000**	6,500
Payment for share capital (note 19)	**(8,000)**	(6,500)
Interest receivable on intercompany balance (note 8)	**618**	174
Working capital and other transactions	**(11,210)**	2,288
Ultimate controlling party - Kiwi Holdco CayCo, Ltd		
Interest receivable on intercompany balance (note 8)	**-**	31
Working capital and other transactions	**-**	(5,555)
Other related entities		
Transfer of IP assets (note 14)	**-**	17,868
Revenue from contracts with clients via other Group entities (note 4)	**3,101**	10,488
Development services recharge revenue (note 4)	**13,648**	7,896
Management services recharge revenue (note 4)	**1,313**	5,327
Royalty charge from other Group companies for use of intellectual property (note 6)	**(35,397)**	(17,507)
Development services recharges (note 6)	**(7,556)**	(3,392)
Management services recharges (note 6)	**(4,566)**	(3,144)
Interest receivable on intercompany balance (note 8)	**585**	532
Working capital and other transactions	**6,178**	2,733
	(33,286)	17,739

Amounts due from related entities

The Company holds the following receivables balances with related parties at the end of the year:

	2020	2019
	£'000	£'000
Immediate parent – Kiwi UK Holdco 2, Ltd	**-**	10,592
Other related entities	**6,479**	29,173
	6,479	39,765

There were no transactions with or balances due to/from the Company's ultimate parent, Falcon Newco Limited, during the current or prior financial year.

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.

One of the Company's Directors held a directorship during the year with an entity that is a related entity of one of the Company's clients. All services provided by the Company to this client are on an arm's length basis.

The Company has provided service agreement guarantees in respect of client contracts entered into by other Group entities. These guarantees do not represent a financial guarantee and no liabilities have been recognised as the risk of loss is deemed to be remote.

21. Related parties (continued)

Key Management's emoluments

Total remuneration is included within staff costs (see Note 7). Key Management includes those who have the authority and responsibility for planning, directing and controlling the activities of the Company. The emoluments relating to Key Management and the Directors (as listed on page 1) has been provided below. Short-term emoluments include salary, bonuses and other benefits provided.

	2020 £'000	2019 £'000
Aggregate short-term emoluments	**2,248**	3,985
Compensation for loss of office	**230**	153
Contributions made in respect of money purchase schemes	**78**	127
Share-based payments	**8**	130
	2,564	4,395

During 2019, the Group agreed upon a transfer of staff (including key management) previously employed by the Company to FNZ Group Services Ltd (another company within the Group). This transfer of key management and Directors has reduced aggregate short term emoluments by £1,737k and contributions made in respect of money purchase schemes by £49k.

Directors' emoluments	2020 £'000	2019 £'000
Aggregate short-term emoluments	**1,448**	1,589
Contributions made in respect of money purchase schemes	**32**	20
Share-based payments	**2**	2
	1,482	1,611

Highest paid Director	£'000	£'000
Aggregate short-term emoluments	**426**	645
	426	645

Loans to/from related parties

The Company has extended a loan to one of the Directors. This loan has no fixed repayment date and is charged interest at 2.5%. Interest accrued is included within the balance payable. The balance remaining payable in respect of this loan was £498k at the year end (2019: £490k).

Incentive Plan - Share-based compensation plan

The Group operates a management equity scheme allowing employees and other specific individuals equity participation in the Group through beneficial ownership of Class B Shares in Kiwi Holdco Cayco, Ltd. Issues of Class B shares are in tranches. Movements in share classes during the current and prior year are shown below:

	B3 Shares No. of shares	B4 Shares No. of shares
Balance as at 1 January 2019	572,399	54,973
Re-purchase and cancellation of shares for consideration of USD 0.01 per share	(598)	-
Shares relating to employees transferred to FNZ Group Services Ltd	(453,007)	(7,360)
Balance as at 31 December 2019	**118,794**	**47,613**
Re-purchase and cancellation of shares for consideration of USD 0.01 per share	(7,331)	-
Balance as at 31 December 2020	**111,463**	**47,613**

21. Related parties (continued)

Incentive Plan - Share-based compensation plan (continued)

The issues of 'B3' and 'B4' shares have been treated as equity-settled share-based payments in the Statement of Comprehensive Income. The Company has used the Black-Scholes model to calculate the fair value of one award on the grant date of the awards. All Class B Shares with exception of 'B1' shares are subject to distribution hurdles as determined by the Group Board upon issue, and participate pro rata with all other Class B Shares above their respective hurdles. The hurdles for 'B3' and 'B4' shares, expressed in relation to 'B1' shares, have been treated as the effective exercise price as input into the model. The share price on grant was based on an external expert valuation conducted for the purpose of the launch of the new equity scheme. An estimate of future volatility was made with reference to historical volatility over a similar time period to the performance period. Historical volatility is calculated based on the annualised standard deviation of a listed peer group's daily share price movements.

The standard contractual vesting period of 'B3' and 'B4' shares is four equal instalments over four years from the contractual vesting date. The terms of the scheme includes the potential for accelerated vesting in case of a liquidity event or distribution to shareholders prior to the four year period. The Company has therefore applied a one year (25%) reduction to the standard four year contractual vesting period to the valuation model to reflect this theoretical potential of accelerated vesting.

Award	Volatility	Dividend yield	Risk free rate	Assumed life	Share price on grant	Exercise price	Fair value of one award
B3 Share	24.5%	0.0%	0.15%	3 years	£49.46	£81.49	£1.59
B4 Share	25.0%	0.0%	0.79%	3 years	£125.45	£138.41	£17.79

The risk-free rate assumed reflects the 3-year UK government yield curve as at the grant date.

The cost of recipients' services received in exchange for grant of 'B3' and 'B4' shares is charged to the Statement of Comprehensive Income over the estimated vesting period, which is the shorter of five years from Balance Sheet date, or the remaining contractual vesting period in the event this was less (applicable where shares were fully vested or vesting had been accelerated on grant). Based on these vesting assumptions, the weighted average remaining life of the remaining 'B3' and 'B4' shares at the end of the year was 0.29 and 1.57 years respectively.

Assumptions have been made over performance criteria, specifically leavers. The Company has assumed 33% leavers and applied this to unvested 'B3' and 'B4' shares over the assumed life.

The Company has recognised a share-based payment expense in the year in relation to this scheme of £371k (2019: £263k).

Incentive Plan – Kiwi CayLP, LP

The founders of the Group and some key management (including some Executive and Non-Executive Directors) also participate in the equity growth and future value of the business via Kiwi CayLP, LP, a Cayman registered investment vehicle that itself holds equity in Kiwi Holdco Cayco, Ltd. Prior to the launch of the new share scheme some awards of units in Kiwi CayLP, LP were made in January 2017, including those to Non-Executive Directors.

Incentive Plan – EIP

Additionally, the Group operates a legacy Employee Incentive Plan ('EIP') which provided the opportunity 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 holders to a small proportion of any distribution by Kiwi Holdco Cayco, Ltd to its shareholder Kiwi CayLP, LP. A small number of former employees continue to hold such units.

22. Leases

(a) Amounts recognised in the Balance Sheet

The net book value of assets held in respect of right-of-use assets were as follows:

	2020 £'000	2019 £'000
Property, plant and equipment (note 13)		
Office properties	**18,368**	15,042
Fixtures, fittings & furnishings	**4,095**	-
Computers & other equipment	**7,922**	10,405
	30,385	25,447
Intangible assets (note 14)		
Software licenses	-	124
	-	124

Additions to the right-of-use assets during the 2020 financial year were as follows:

	2020 £'000	2019 £'000
Property, plant and equipment (note 13)		
Office properties	**5,980**	2,121
Fixtures, fittings & furnishings	**4,729**	-
Computers & other equipment	**1,253**	1,307
	11,962	3,428
Intangible assets (note 14)		
Software licenses	-	-
	-	-

(b) Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income includes the following amounts relating to leases:

Depreciation charge of right-of-use assets	2020 £'000	2019 £'000
Property, plant and equipment (note 13)		
Office properties	**2,654**	1,811
Fixtures, fittings & furnishings	**635**	-
Computers & other equipment	**3,736**	3,615
	7,025	5,426
Intangible assets (note 14)		
Software licenses	**124**	133
	124	133
Interest expense included in finance cost (note 8)	**2,447**	1,974
Expense relating to short-term leases included in operating expenses (note 6)	**1,057**	163
Total cash outflow impact of leases	**(8,783)**	(7,774)

23. Changes in accounting policy and disclosure

New and amended standards adopted by the Company

No new standards or amendments have been adopted by the Company for the first time for the financial year beginning on 1 January 2020 which would be considered to have a material impact on the Company.

New standards and interpretations not yet adopted

There are no forthcoming standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

24. Commitment and contingencies

As at 31 December 2020 there were no capital commitments (2019: £nil). There are no contingent assets or liabilities as at 31 December 2020 (2019: none)

25. Subsequent events

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