
FOREIGN CURRENCY EXCHANGE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

WEDNESDAY



AADJV4LD

A08

22/09/2021

#17

COMPANIES HOUSE

FOREIGN CURRENCY EXCHANGE LIMITED

COMPANY INFORMATION

Directors	N Fullerton D Wray B Flowers C Richardson T Rudman (appointed 3 February 2020, resigned 1 May 2021) T Watson (appointed 1 May 2021)
Registered number	05452483
Registered office	3rd Floor 20 Wood Street London EC2V 7AF
Independent auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

FOREIGN CURRENCY EXCHANGE LIMITED

CONTENTS

	Page
Strategic report	1 - 5
Directors' report	6 - 7
Directors' responsibilities statement	8
Independent auditor's report	9 - 13
Statement of comprehensive income	14
Balance sheet	15
Statement of changes in equity	16
Notes to the financial statements	17 - 50

FOREIGN CURRENCY EXCHANGE LIMITED

Strategic report FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The directors present their report, the auditor's report and financial statements for the year ended 31 December 2020 on pages 6 to 16 and accompanying notes on pages 17 to 50. The results of the Company are reported under Financial Reporting Standard 101 'Reduced Disclosure Framework,' which is the applicable financial reporting standard for UK companies applying the recognition and measurement criteria of International Financial Reporting Standards.

Our purpose is to assist clients with managing their foreign exchange exposure in a manner consistent with their risk appetite, with a vision to be our clients chosen foreign currency specialist. We strive to do the right thing at every stage of every transaction, never forgetting that our clients trust us to be their foreign exchange expert. We will achieve this by delivering an effortless foreign exchange experience to every client, empowered by the best technology and exceptional people.

Business review

The company is part of the Global Reach Group of companies. We are a leading foreign exchange specialist, providing international payments, risk management and strategic hedging solutions for corporate clients ranging from SMEs, through to FTSE 100 companies and financial institutions, as well as helping individual customers manage their overseas transfers. Through our experienced team and proprietary suite of technology, we delivered our service to thousands of customers globally.

2020 was a challenging year for the Group, as the effects of the COVID-19 pandemic impacted a number of industries within our corporate client base, making some anticipated revenues more difficult to achieve. Whilst the uncertainty created challenges, it also presented opportunities for the Group to significantly expand its global footprint, addressable market and client facing technology offering with the acquisition of the trade and assets of EncoreFX in Canada.

The Group continued to invest in people, compliance, technology, and products to further enhance the value offered to both existing and new clients, with progress made across several areas.

FOREIGN CURRENCY EXCHANGE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

Systems and controls are in place to manage and mitigate risks at all times. The Company has implemented a 'three lines of defence' model that ensures clear delineation of responsibilities between day-to-day operational management, risk monitoring and oversight, as well as assurance.

The following are the key risks impacting the Company:

- Client Credit Risk
- Institutional Counterparty Credit Risk
- Liquidity Risk
- Regulatory Risk
- Operational Risk

The Company has an overarching Risk Management Framework to strengthen its risk management processes and practices. The Risk Management Framework refers to the set of components, including risk appetite, policies, procedures, governance, systems and tools that support risk management at the Company.

Risks and mitigating controls are periodically reassessed, taking into account the Company's risk appetite. Where risks are identified which fall outside of the Company's risk tolerance levels, or where the need for remedial action is identified in respect of identified weaknesses in the Company's mitigating controls, then actions are taken to improve the control framework.

Client Credit Risk

Credit Risk represents the loss that the Company would incur if a client failed to meet its contractual obligations. A client credit exposure exists where a client's net contractual amount payable to the Company is greater than the margin or other collateral received by the Company.

Credit Risk is mitigated by the Company's underwriting and credit assessment process, and further through taking collateral from clients where appropriate. The credit assessment process mitigates client credit risk by setting appropriate client collateral terms including initial deposit and variation margin requirements following significant market movements.

Counterparty Credit Risk

A factor that may contribute to increased credit risk is the concentration of assets held with a single counterparty which it uses to hedge its clients. A counterparty exposure exists where the Company's net contractual receivable is greater than the margin or other collateral deposited by the Company with the institutional counterparty. It denotes the risk that an institutional counterparty of a derivative trade will not honour its financial commitments.

The Company manages the credit risk arising from counterparties by using a number of institutions and through the use of two way margining facilities.

Liquidity Risk

Liquidity risk is defined as the risk that the Company, although solvent, either does or does not have sufficient available resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

The Company acknowledges that it is imperative to continue to maintain liquidity, in order to ensure that:

- The Company is able to meet its obligations as they fall due;
- Trading is unaffected or enhanced by adverse market movements.

FOREIGN CURRENCY EXCHANGE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Liquidity Risk (continued)

The Company has low exposure to liquidity risk as cash flows cover its ongoing operating costs. Nonetheless, the Company closely monitors the cash flows and ongoing liquidity position to ensure it is not exposed to liquidity risks. Client activity and volatility in the markets influences the level of liquidity required.

Regulatory Risk

The risks of changing legislation, regulation, policies, voluntary codes of practice and their interpretation in the FX markets in which we operate can have a significant impact on the Company's operations, business prospects, costs, liquidity and capital requirements evolving and imposes significant demands on its resources.

Operational Risk

Operational risks are inherent in the Company's business as it depends on the ability to process complex transactions efficiently and accurately. Operational risk is defined as any instance where there is potential or actual impact resulting from failed internal processes, people, systems or from external events. The impacts can be financial as well as non financial such as customer detriment, reputational or regulatory consequences.

The Company has policies and procedures to mitigate operational risk which are reviewed on an ongoing basis. The operational risk framework is designed to provide a well controlled environment to minimise operational risks.

Going Concern

The directors have presented the financial statements on the going concern basis. The Company meets its day to day working capital requirements through its available cash resources and liquidity. Whilst there is ongoing uncertainty around COVID-19, this has been considered by the directors of the Company through its forecasts, taking into account reasonably possible changes in business performance as well as credit and foreign currency movement exposures. Management have also considered the Group's forecasts and projections in their going concern assessment of the Company. The Group has a senior debt facility agreement with Ares Management Limited which includes covenants attached to it, due for repayment in 2024. Under this facility, Ares Management Limited have a charge over the assets of the Company, which can be enforced should the Group not meet the covenant terms of the facility. If the Group does not meet the covenant terms of the facility, this creates a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Group forecasts indicate that covenants will be met based upon forecast trading. The directors have a reasonable expectation that the Group has adequate resources to continue to meet its obligations under the senior facility agreement. Based on the assessment of these risks, the Directors believe the company will be a going concern for the next 12 months from the date of approval of the Director's report and financial statements.

FOREIGN CURRENCY EXCHANGE LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Financial key performance indicators

The key performance indicators are presented below:

	2020 £000	2019 £000	Change from 2019 %
Total transaction value	366,736	485,230	(24)
Turnover	3,712	5,401	(31)
Operating profit/(loss)	(434)	39	(1,213)
Adjusted EBITDA (Note 31)	(293)	88	(433)
Full-time employees	24	24	0
Business cash balance	1,352	1,639	(18)
Return on assets %	(26.5)	2.1	

FOREIGN CURRENCY EXCHANGE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Future developments

We will build on the existing strengths of the business and continue to explore new opportunities to extend the number of counterparties that support the business. We are continuing to invest in people, technology, products and services to improve the value we offer to existing and new clients.

Foreign Currency Exchange will continue to aim to be a leading foreign currency specialist focused on corporate clients, providing products to help them manage their foreign currency exposure. We take pride in being a leader in our sector and will continue to offer our clients a highly personal and dedicated service.

This report was approved by the board on 30 June 2021 and signed on its behalf.



B Flowers
Director

FOREIGN CURRENCY EXCHANGE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Principal activity

The principal activity of the Company continued to be that of commercial foreign exchange hedging solutions for clients.

Results and dividends

The loss for the year, after taxation, amounted to £360k (2019 - profit £72k.)

No dividend is being proposed for the year ending 31 December 2020.

Directors

The directors who served during the year were:

N Fullerton
D Wray
B Flowers
C Richardson
T Rudman (appointed 3 February 2020, resigned 1 May 2021)

Financial instruments

The Company's financial instruments comprise foreign currency forward and option contracts, cash at bank, and various receivables and payables that arise directly from its operations.

Matters covered in the strategic report

The Board is responsible for identifying principal risks and for proposing suitable mitigating strategies. This has been address in the Strategic report, along with a full review of the position and performance of the Company and expected future developments.

Disclosure of information to auditor

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

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

Post balance sheet events

There have been no post balance sheet events that have affected the company.

Auditor

The auditor, Grant Thornton UK LLP, was appointed as auditor under sections 485-488 of the Companies Act 2006. The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

FOREIGN CURRENCY EXCHANGE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

This report was approved by the board on 30 June 2021 and signed on its behalf.


B Flowers
Director

FOREIGN CURRENCY EXCHANGE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

FOREIGN CURRENCY EXCHANGE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREIGN CURRENCY EXCHANGE LIMITED

Opinion

We have audited the financial statements of Foreign Currency Exchange Limited (the 'company') for the year ended 31 December 2020 which comprise: Statement Of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which explains that the Group, of which this Company is subsidiary, has senior debt facilities with covenants attached to them. Under this facility, there is a charge over the assets of the Company, which can be enforced should the Group not meet the covenant terms of the facility. If the Group does not meet the covenant terms of the facility, this creates a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our responsibilities

We are responsible for concluding on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease or continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

FOREIGN CURRENCY EXCHANGE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREIGN CURRENCY EXCHANGE LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

FOREIGN CURRENCY EXCHANGE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREIGN CURRENCY EXCHANGE LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

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

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

FOREIGN CURRENCY EXCHANGE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREIGN CURRENCY EXCHANGE LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and industry in which it operates. We determined that the Companies Act 2006, FRS 101, FCA regulations are the most significant regulations affecting the company. We enquired of management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the breaches register.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Company's operations, including the nature of its revenue sources, and of its objective to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement
 - the Company's control environment, including the policies and procedures implemented to mitigate risks of fraud or non-compliance with the relevant laws and regulations
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included checking completeness of journal entries and identifying and testing journal entries, in particular manual journal entries processed at the year-end for financial statements preparation. We also reviewed the financial statements disclosures and the corresponding supporting documentation.

FOREIGN CURRENCY EXCHANGE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREIGN CURRENCY EXCHANGE LIMITED (CONTINUED)

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

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the industry in which the Company operates.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

William Pointon

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
30 Finsbury Square, London, EC2A 1AG

30 June 2021

FOREIGN CURRENCY EXCHANGE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Turnover	4	3,712	5,401
Cost of sales		(2,180)	(3,067)
Gross profit		1,532	2,334
Administrative expenses		(1,891)	(2,295)
Exceptional administrative expenses	12	(75)	-
Operating (loss)/profit	5	(434)	39
Interest receivable and similar income	9	6	83
Interest payable and expenses	10	(6)	(85)
(Loss)/profit before tax		(434)	37
Tax on (loss)/profit	11	74	35
(Loss)/profit for the financial year		(360)	72

The notes on pages 17 to 50 form part of these financial statements.

FOREIGN CURRENCY EXCHANGE LIMITED
REGISTERED NUMBER:05452483

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	13	2	3
Tangible assets	14	62	101
		<u>64</u>	<u>104</u>
Current assets			
Debtors: amounts falling due after more than one year	15	126	22
Debtors: amounts falling due within one year	15	2,078	2,821
Cash at bank and in hand	16	15,551	18,690
		<u>17,755</u>	<u>21,533</u>
Creditors: amounts falling due within one year	17	<u>(15,874)</u>	<u>(19,522)</u>
Net current assets		<u>1,881</u>	<u>2,011</u>
Total assets less current liabilities		<u>1,945</u>	<u>2,115</u>
Creditors: amounts falling due after more than one year	18	(305)	(115)
		<u>1,640</u>	<u>2,000</u>
Net assets		<u><u>1,640</u></u>	<u><u>2,000</u></u>
Capital and reserves			
Called up share capital	24	1	1
Profit and loss account	25	1,639	1,999
		<u>1,640</u>	<u>2,000</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2021.


B Flowers
 Director

The notes on pages 17 to 50 form part of these financial statements.

FOREIGN CURRENCY EXCHANGE LIMITED
REGISTERED NUMBER:05452483

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2020	1	1,999	2,000
Comprehensive income for the year			
Loss for the year	-	(360)	(360)
Total comprehensive income for the year	-	(360)	(360)
At 31 December 2020	1	1,639	1,640

The notes on pages 17 to 50 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2019	1	1,927	1,928
Comprehensive income for the year			
Profit for the year	-	72	72
Total comprehensive income for the year	-	72	72
At 31 December 2019	1	1,999	2,000

The notes on pages 17 to 50 form part of these financial statements.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Company information

The Company is a private limited company, limited by shares and is incorporated in England and Wales. The registered office is 3rd Floor, 20 Wood Street, London, EC2 7AF.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The financial statements are presented in Sterling (£) and have been presented in round thousands (£'000).

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

As the entity is defined as a financial institution under FRS 101, the entity has complied with the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurement.

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital management;
- the effect of future accounting standards not yet adopted;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of IAS 24 Related Party Disclosure to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the disclosure of the remuneration of key management personnel; and
- the requirement to disclose information about leases in a single note. As a result the disclosures required by IFRS 16.53 (a), (b), (g), (h) and (j) are disclosed in note 2.19 and 23.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.3 Going concern

The directors have presented the financial statements on the going concern basis. The Company meets its day to day working capital requirements through its available cash resources and liquidity. Whilst there is ongoing uncertainty around COVID-19, this has been considered by the directors of the Company through its forecasts, taking into account reasonably possible changes in business performance as well as credit and foreign currency movement exposures. Management have also considered the Group's forecasts and projections in their going concern assessment of the Company. The Group has a senior debt facility agreement with Ares Management Limited which includes covenants attached to it, due for repayment in 2024. Under this facility, Ares Management Limited have a charge over the assets of the Company, which can be enforced should the Group not meet the covenant terms of the facility. If the Group does not meet the covenant terms of the facility, this creates a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Group forecasts indicate that covenants will be met based upon forecast trading. The directors have a reasonable expectation that the Group has adequate resources to continue to meet its obligations under the senior facility agreement. Based on the assessment of these risks, the Directors believe the company will be a going concern for the next 12 months from the date of approval of the Director's report and financial statements.

2.4 Turnover

Where the Company enters into a foreign exchange transaction with its clients, the Company also enters into separate contracts with its banking counterparties.

Turnover is recognised on a trade date accounting basis as the difference between the price agreed with the client and the price transacted with the banking counterparties.

Turnover is recognised after receiving the client's authorisation to undertake a transaction for a currency trade and the transaction has been processed and internally verified by the Company.

2.5 Tangible fixed assets

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

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

The estimated useful lives range as follows:

• Fixtures & fittings	-	20%
• Fixtures & fittings under finance lease	-	25%
• Office equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed each reporting date, and if there is an indication of a significant change they are adjusted prospectively.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income within administration expenses.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined, which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Product development costs and internally developed software

Expenditure on the research phase of projects to develop new products or internally developed software is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Company intends to and has sufficient resources to complete the project
- the Company has the ability to use or sell the software
- the software will generate probable future economic benefits

Directly attributable costs include employee costs, professional fees and costs of testing whether the asset is functioning properly. Development costs not meeting these criteria for capitalisation are expensed as incurred.

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss.

Subsequent measurement

All finite-life intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. Where an indicator of impairment exists they are subject to impairment testing.

The following useful lives are applied:

- Software development costs - 3 years

The amortisation method is deemed the most appropriate reflection of how the economic benefit will flow to the entity. The useful life is deemed to represent the period over which the assets will become technologically obsolescent.

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets, presented under administration expenses within the Statement of Comprehensive Income.

Subsequent expenditures on the maintenance of computer software is expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income within other income or other expenses.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.7 Impairment of assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit (CGU) level. At each reporting date management review for indicators of impairment for any relevant assets or CGU.

An impairment loss is recognised for the amount by which the asset's (or cash-generating units) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss can be reversed if the asset's or cash-generating unit's recoverable amount is equal to or exceeds its carrying amount.

2.8 Debtors

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

The carrying value of short term debtors are deemed to be approximate to their fair value.

2.9 Cash and cash equivalents

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

2.10 Cash and cash equivalents held for customers

Cash and cash equivalents held for customers represents cash held to fund customer liabilities and collateral received. These balances have either a regulatory restriction for use in accordance with local legislation or operational restriction as the Company awaits customers' instructions for their use.

The Company maintains a corresponding liability in connection with these amounts that is included in trade creditors in the Balance Sheet.

Collateral cash balances collected from customers are utilised for the collateral that the Company places with banks.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.11 Financial Instruments

Financial assets and financial liabilities are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL). Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. All changes in an instrument's fair value are included in revenue.

Financial instruments held at FVTPL include foreign currency forward contracts which meet the definition of stand-alone derivatives.

Forward currency contracts are over-the-counter derivatives that have mid, offer and bid prices that can be observed in the marketplace. The valuation of forward contracts is based on observable data and is performed by the Company. The input data includes forward foreign currency rates for currency combinations and expected period to maturity for the open contracts. These instruments are classified as Level 2 financial instruments as required by IFRS 13.

Where deemed appropriate, a number of valuation adjustments are made for additional factors including liquidity and credit risks that are not explicitly captured within the basic valuation approach outlined above.

Credit valuation adjustment (CVA) reflects the credit risk of the counterparties inherent in the valuation of the derivative financial instruments. The amount represents the estimated fair value of protection required to hedge the counterparty credit risk. The CVA takes into account counterparty exposure, applicable collateral arrangements and default probability rates.

All regular way transactions are recognised and derecognised on a trade date basis. Regular way transactions are purchases and sales of financial instruments that require delivery of assets or liabilities within a time frame established by regulation one convention in the marketplace.

Financial assets and liabilities are only offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

Financial Instruments (continued)

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current receivable assets are recognised using the simplified approach as required by IFRS 9. A provision matrix is used to determine the lifetime expected credit loss of the assets held at amortised cost. Probability of non-payment and the expected loss arising from default are assessed to determine whether a lifetime expected credit loss should be recognised against the receivable assets. The Company considers a receivable to be in default when the borrower is unable to pay its contractual obligations in full.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For such assets, where the credit risk has not increased significantly since initial recognition, a twelve-month expected credit loss is recognised. For financial assets where credit risk has increased significantly, a lifetime expected credit loss is recognised.

Evidence that there has been a significant increase in credit risk since initial recognition is observed from verifiable data, indicating significant financial difficulty of the borrower. Significant financial difficulty would include default under a contractual obligation, or when it is probable that the borrower will enter bankruptcy.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Balance Sheet.

Fair value through profit or loss

This category comprises only in-the-money derivatives. These are carried in the Balance Sheet at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

The Company comprises only out-of-the-money derivatives. They are carried in the Balance Sheet at fair value recognised in the Statement of Comprehensive Income.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

Financial Instruments (continued)

Other financial liabilities

Other financial liabilities including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Balance Sheet. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value, are subsequently carried at amortised cost using the effective interest method.

2.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The carrying value of short-term creditors are deemed to be approximate to their fair value.

2.13 Foreign currencies

Functional currency and presentation currency

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position are presented in Sterling (£'000).

Transactions and balances

Foreign currency transactions are translated into the foreign currency using the spot exchange rates at the dates of the transactions.

Foreign currency monetary items are translated using the closing rate at the reporting date. All differences are taken to the Statement of Comprehensive Income. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.16 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.17 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full, and are not discounted.

Deferred tax assets are recognised to the extent that it is probably that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Exceptional items

Exceptional items are those items of income and expenditure that by reference to the Company are material in size or unusual in nature or incidence, that in the judgement of the Directors, should be disclosed separately on the face of the financial statements to ensure both that the reader has a proper understanding of the Company's financial performance and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as exceptional items include, but are not limited to, onerous contracts and impairments of non-current assets.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.19 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Tangible Fixed Assets' in the Balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.7.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.19 Leases (continued)

The Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Revenue recognition

The Company recognises a day one gain or loss on matched forward currency contracts. The gain is determined by marking the contracts against the rate secured in the Company's most advantageous market. This market is deemed to be the one with its banking counterparts. Any gain or loss is then adjusted for credit and other exposure risks relating to the financial instruments.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. Management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets.

The Company's foreign currency forward contracts are not traded in active markets. Forward contracts have been fair valued using observable forward exchange rates corresponding to the maturity of the contract.

Allowance for doubtful debts

The Company holds trade and other receivables at the reporting date for amounts due on spot contracts and margin placed at counterparties. Management deem it appropriate to implement the simplified impairment model for these assets and determine impairment based on the Company's historically observed default rates, adjusted for forward-looking information. There have been no material instances in the Company's recent trading history where obligations under spot contracts or counterparty margin have not been fulfilled and there is no forward-looking information to suggest a change in the assets recoverability.

4. Turnover

The whole of the turnover is attributable to the one principal activity of the Company.

All turnover arose within the United Kingdom.

FOREIGN CURRENCY EXCHANGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. Operating (loss)/profit

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

	2020 £000	2019 £000
Credit risk adjustment on open forward contracts	27	(4)
Depreciation of tangible fixed assets	38	52
Amortisation of intangible assets	1	1
Impairment of financial assets	16	37
Exchange differences	(2)	12
Defined contribution pension cost	37	70
	<u>37</u>	<u>70</u>

6. Auditor's remuneration

In the current reporting period, group audit fees of £165k and group non-audit fees of £37k have been borne by Global Reach Partners, a fellow subsidiary of the Company within the Group.

In the prior reporting period, group audit fees of £176k and group non-audit fees of £58k have been borne by a parent undertaking of the Company, Global Reach Group Holdings (Jersey) Limited.

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £000	2019 £000
Wages and salaries	1,236	1,790
Social security costs	145	210
Cost of defined contribution scheme	37	70
	<u>1,418</u>	<u>2,070</u>

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

	2020 No.	2019 No.
Sales staff	23	23
Directors	1	1
	<u>24</u>	<u>24</u>

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	129	168
Company contributions to defined contribution pension schemes	5	7
	<u>134</u>	<u>175</u>

N Fullerton, B Flowers, C Richardson and T Rudman were remunerated by other entities of the Global Reach Group. Since any qualifying services in respect of the Company are considered to be incidental and part of the directors' overall management responsibility within the Global Reach Group, no amounts are disclosed.

During the period retirement benefits were accruing to 1 director (31 December 2019 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £134k (31 December 2019 - £175k).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5k (31 December 2019 - £7k).

9. Interest receivable

	2020 £000	2019 £000
Interest on lease receivable	-	64
Other interest receivable	6	19
	<u>6</u>	<u>83</u>

10. Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on lease liabilities	<u>6</u>	<u>85</u>

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax (credit)/charge on profits for the year	10	-
Adjustments in respect of previous periods	-	(38)
Total current tax (credit)/charge	10	(38)
Deferred tax		
Origination and reversal of timing differences	(84)	3
Total deferred tax	(84)	3
Taxation on (loss)/profit on ordinary activities	(74)	(35)

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%). The differences are explained below:

	2020 £000	2019 £000
Profit/(Loss) on ordinary activities before tax	(434)	37
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	(82)	7
Effects of:		
Expenses not deductible for tax purposes	18	8
Depreciation in excess of capital allowances	-	21
Adjustments to tax charge in respect of prior periods	-	(38)
Other timing differences leading to an increase (decrease) in taxation	(5)	2
Income not taxable for tax purposes	(5)	-
Group relief surrendered/(claimed)	-	(35)
Total tax charge for the year	(74)	(35)

Factors that may affect future tax charges

The Corporation Tax main rate will be set at 17% from 1 April 2020. As the changes have not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12. Exceptional items

	2020 £000	2019 £000
Onerous Lease	73	-
Other	2	-
	<u>75</u>	<u>-</u>

During the year the company early surrendered its lease of former office premises, which it was sub-letting. The onerous lease above relates to the costs of this lease during the year as well as the lease termination and dilapidation cost.

Other costs relate to restructuring costs incurred in the year, as well as equity issuance costs for employees of the entity.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Intangible assets

	Software Development £000	Total £000
Cost		
At 1 January 2020	5	5
At 31 December 2020	5	5
Amortisation		
At 1 January 2020	2	2
Charge for the year on owned assets	1	1
At 31 December 2020	3	3
Net book value		
At 31 December 2020	2	2
At 31 December 2019	3	3

FOREIGN CURRENCY EXCHANGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Tangible fixed assets

	L/Term Leasehold Property £000	Fixtures & fittings £000	Office equipment £000	Total £000
Cost or valuation				
At 1 January 2020	112	422	157	691
Disposals	-	(313)	-	(313)
At 31 December 2020	<u>112</u>	<u>109</u>	<u>157</u>	<u>378</u>
Depreciation				
At 1 January 2020	31	408	151	590
Charge for the year on owned assets	-	7	3	10
Charge for the year on right-of-use assets	29	-	-	29
Disposals	-	(313)	-	(313)
At 31 December 2020	<u>60</u>	<u>102</u>	<u>154</u>	<u>316</u>
Net book value				
At 31 December 2020	<u>52</u>	<u>7</u>	<u>3</u>	<u>62</u>
At 31 December 2019	<u>81</u>	<u>14</u>	<u>6</u>	<u>101</u>

The net book value of land and buildings may be further analysed as follows:

	2020 £000	2019 £000
Long leasehold	52	81
	<u>52</u>	<u>81</u>

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14. Tangible fixed assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance sheet is as follows:

	2020 £000	2019 £000
Tangible fixed assets owned	10	20
Right-of-use tangible fixed assets	52	81
	<u>62</u>	<u>101</u>

Information about right-of-use assets is summarised below:

Net book value

	2020 £000	2019 £000
Property	52	81
	<u>52</u>	<u>81</u>

Depreciation charge for the year ended

	2020 £000	2019 £000
Property	(29)	(31)
	<u>(29)</u>	<u>(31)</u>

15. Debtors

	2020 £000	2019 £000
Due after more than one year		
Financial instruments	126	22
	<u>126</u>	<u>22</u>

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15. Debtors (continued)

	2020 £000	2019 £000
Due within one year		
Trade debtors	102	787
Amounts owed by group undertakings	913	1,052
Other debtors	491	172
Prepayments and accrued income	60	70
Lease receivable	-	396
Deferred taxation	85	1
Financial instruments	427	343
	<u>2,078</u>	<u>2,821</u>

Other Debtors includes variation margin held at our banking counterparties, staff travel loans and corporation tax recoverable.

Trade debtors are presented net of specific provisions against amounts receivable as shown below:

	2020 £000	2019 £000
Trade debtors	103	805
Allowance for doubtful debts	-	(18)
	<u>103</u>	<u>787</u>

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

15. Debtors (continued)

	2020 £000	2019 £000
Allowance for doubtful debts		
At 1 January	18	-
Amounts written off during the year	(34)	(19)
Increase in allowance recognised in the statement of comprehensive income	16	37
At 31 December	<u>-</u>	<u>18</u>

The Company applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss provision for trade and other receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. Expected credit losses are assessed by considering both qualitative and quantitative information including financial performance indicators of clients, as well as external market trends.

During the year, a provision was recognised for £16k, (2019: £37K) with £34k (2019: £19K) of this being written off as management determined that the balances were no longer recoverable.

The derivative financial assets of the Company held at fair value through the profit or loss are outside the scope of the expected loss impairment model. The Company recognises a credit valuation adjustment in respect of the expected default of their derivative assets.

16. Cash and cash equivalents

	2020 £000	2019 £000
Cash and cash equivalents held for customers	14,199	17,051
Cash and cash equivalents	1,352	1,639
	<u>15,551</u>	<u>18,690</u>

Cash and cash equivalents held for customers represents cash held to fund customer liabilities and collateral received. These balances have either a regulatory restriction for use in accordance with local legislation or operational restriction as the Company awaits customers' instructions for their use.

The Company maintains a corresponding liability in connection with these amounts that is included in creditors in the balance sheet.

Collateral cash balances collected from customers are utilised for the collateral that the Company places with banks.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

17. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	4,935	9,632
Other taxation and social security	98	62
Lease liabilities	26	436
Other creditors	10,236	8,844
Accruals and deferred income	220	295
Derivative financial instruments	359	253
	<u>15,874</u>	<u>19,522</u>

Trade Creditors and Other Creditors includes client cash held on account. Other creditors also includes collateral requested from clients including initial deposits and margin held for where there has been significant market movement. Further information is disclosed in Note 20.

18. Creditors: Amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities	29	56
Other creditors	160	47
Derivative financial instruments	116	12
	<u>305</u>	<u>115</u>

Trade Creditors and Other Creditors includes client cash held on account. Other creditors also includes collateral requested from clients including initial deposits and margin held for where there has been significant market movement. Further information is disclosed in Note 20.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

19. Financial instruments

	2020 £000	2019 £000
Financial assets		
Financial assets measured at fair value through profit or loss	553	364
Financial assets measured at amortised cost	17,111	21,163
	<u>17,664</u>	<u>21,527</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	(477)	(265)
Financial liabilities measured at amortised cost	(15,606)	(19,310)
	<u>(16,083)</u>	<u>(19,575)</u>

Financial assets measured at fair value through profit or loss comprise of matched derivatives in relation to open foreign currency forward contracts. The fair value of these financial instruments has been derived from transactions in the Company's principal or most advantageous market. For the Company this market is the one with its broker.

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, other debtors, prepayments and the lease receivable debtor. Tax debtors are not included.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, lease liabilities and accruals. Tax liabilities are not included.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

20. Financial risk management and objectives

The Company's financial instruments comprise foreign currency forward and spot contracts, cash at bank and in hand, and various receivables and payables that arise directly from its operations.

Market risk

Market risk is the risk that the value of an investment or other assets decreases or the value of liabilities increases due to moves in market factors. Typical market factors considered in this context are interest rates and foreign exchange ("FX") rates. Further, market risk is also the risk of potential loss arising from adverse movements in the level of volatility of market prices. The Company adopts the matching principal on all foreign currency trades, therefore does not create or absorb any market risk.

Nonetheless, daily client monitoring is undertaken with margin calls made to reflect market movements affecting client positions. The Company's clients sign a terms and conditions agreement, in which under certain circumstances or in adverse market conditions the Company retains the right to close out client positions.

Interest rate risk

The Company has financed its operations principally through the issue of the share capital. Where necessary the Company considers the use of derivative instruments to manage its exposure to interest rate fluctuations. There are no such instruments in place at the balance sheet date.

Credit risk

Credit risk is mitigated by the Company's underwriting and credit assessment process. The credit assessment process mitigates client credit risk by setting appropriate client collateral terms including initial deposit and variation margin requirements following significant market movements. All material credit exposures require approval from the Company Credit Risk Committee and credit exposures are monitored daily.

Counterparty credit risk is mitigated by the Company's underwriting and credit assessment process. The Company manages the credit risk arising from institutional counterparties by spreading credit risk across a number of different institutions to diversify risk where necessary.

The carrying amount of financial assets recognised in the balance sheet represents the Company's maximum exposure to credit risk at the reporting date.

The credit assessment process mitigates client credit risk by setting appropriate client collateral terms including initial deposit and variation margin requirements following significant market movements.

The Company may in certain cases re-pledge cash collateral received from its customers for future contracts on a rolling basis. The fair value of collateral approximates its carrying value.

The company hedges the market risk with institutional counterparties or its affiliated company Global Reach Partners Ltd. Trades conducted with the affiliated company are then matched with an institutional counterparty trade in that entity. Company policies restrict the counterparties with which derivative transactions can be contracted and funds may be deposited with those approved by the treasury team and approved by the Board, comprising affiliated group entities, banks and financial institutions. The treasury team ensures that exposure is spread across the number of approved financial institutions. The company manages the credit risk arising from counterparties by using a number of institutions and through the use of two way margining facilities.

There is no significant concentration of credit risk with respect to trade receivables as the Company has a large number of customers.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

20. Financial risk management and objectives (continued)

Credit risk (continued)

Company policies are aimed at reducing the impact of losses as a result of credit events, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to reduce the Company's potential exposure to bad debts.

The credit quality of all financial assets that are neither past due nor impaired is appropriate and is constantly monitored. Credit risks relating to customer contracts is monitored on a daily basis and additional collateral is sought if appropriate via margin calls.

Cash at bank balances are neither past due nor impaired and are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. The amount due from related companies are neither past due nor impaired as the related companies are credit worthy and have no history of default.

Liquidity risk

Liquidity risk is defined as the risk that the Company, although solvent, either does or does not have sufficient available resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Company's exposure to liquidity risk arises daily from bank demands to meet margin calls and from mismatches of the maturities of financial assets and liabilities.

The Company's policy on liquidity risk management is to maintain sufficient cash and available funding. Cash balances and forecast cash movements are reviewed on a regular basis to ensure that the Company maintains adequate working capital.

The maturity profile of the Company's financial assets and liabilities at the year end is set out below.

The maturity profile of the Company's financial liabilities is closely matched by the maturity profile of its financial assets. To manage its liquidity the Company normally requires payment of trades with customers in advance of settling trades with the banks. The liquidity risk is also mitigated by the collateral received from customers.

FOREIGN CURRENCY EXCHANGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

20. Financial risk management and objectives (continued)

	Total £000	Within 3 months £000	Between 3 to 6 months £000	Between 6 to 12 months £000	Greater than 1 year £000
Assets at 31 December 2020					
Derivative financial instruments	553	278	96	53	126
Cash and cash equivalents	1,352	1,352	-	-	-
Cash and cash equivalents held for customers	14,199	14,199	-	-	-
Trade and other receivables	1,560	1,560	-	-	-
	<u>17,664</u>	<u>17,389</u>	<u>96</u>	<u>53</u>	<u>126</u>
Liabilities at 31 December 2020					
Derivative financial instruments	(476)	(227)	(87)	(45)	(117)
Trade and other payables	(15,606)	(15,222)	(131)	(64)	(189)
	<u>(16,082)</u>	<u>(15,449)</u>	<u>(218)</u>	<u>(109)</u>	<u>(306)</u>

FOREIGN CURRENCY EXCHANGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

20. Financial risk management and objectives (continued)

	<i>Total</i> <i>£000</i>	<i>Within 3</i> <i>months</i> <i>£000</i>	<i>Between 3 to</i> <i>6 months</i> <i>£000</i>	<i>Between 6 to</i> <i>12 months</i> <i>£000</i>	<i>Greater than</i> <i>1 year</i> <i>£000</i>
Assets at 31 December 2019					
Derivative financial instruments	364	261	36	45	22
Cash and cash equivalents	1,639	1,639	-	-	-
Cash and cash equivalents held for customers	17,051	17,051	-	-	-
Trade and other receivables	2,473	2,172	98	203	-
	<u>21,527</u>	<u>21,123</u>	<u>134</u>	<u>248</u>	<u>22</u>
Liabilities at 31 December 2019					
Derivative financial instruments	(265)	(211)	(22)	(21)	(12)
Trade and other payables	(19,310)	(18,746)	(181)	(281)	(103)
	<u>(19,575)</u>	<u>(18,957)</u>	<u>(203)</u>	<u>(302)</u>	<u>(115)</u>

Foreign currency risk

Currency risk arises from the change in currency rates (against the balance sheet currency) and concerns open positions in foreign currencies or derivatives. Currently the Company hedges foreign exchange risks in FX derivatives with its institutional counterparties, on behalf of itself and other group affiliated companies. There is therefore minimal foreign currency risk as open FX positions exist in currencies that are stable and easily convertible.

This risk is captured through the stress-testing process through which the Company ensures it has sufficient capital to survive a market stress.

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

21. Financial instruments held at fair value

Financial assets and financial liabilities measured at fair value through profit and loss (FVTPL) comprises of matched derivatives in relation to open currency forward contracts.

The information below sets out the valuation of the derivative assets as well as the methodology used to establish their fair values.

Fair value estimation

Recurring fair value measurement

In accordance with IFRS 13 the Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company utilises valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

All of the Company's derivative financial instruments are forward contracts which are Level 2 in the fair value hierarchy. There have been no transfers between levels in the year to 31 December 2020 (period 31 December 2019: none).

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

22. Deferred taxation

	2020 £000	2019 £000
At beginning of period	1	3
Credited to profit or loss	84	(2)
At end of period	85	1

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(7)	1
Tax losses carried forward	92	-
	85	1

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

23. Leases

Company as a lessee

The Company leased three office premises during the year. During the year, one of these leases and its corresponding sublease was terminated. The lease liability below relates to the remaining two leases.

Lease liabilities are due as follows:

	2020 £000	2019 £000
Due within one year	26	436
Between one year and five years	29	55
	<u>55</u>	<u>491</u>

Contractual undiscounted cash flows are due as follows:

	2020 £000	2019 £000
Not later than one year	31	475
Between one year and five years	31	63
	<u>62</u>	<u>538</u>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2020 £000	2019 £000
Interest expense on lease liabilities	36	85
Depreciation expense on lease right-of-use assets	<u>28</u>	<u>31</u>

FOREIGN CURRENCY EXCHANGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

23. Leases (continued)

Company as a lessor

Salisbury House, the Company's office premises prior to being acquired in 2017 was sub-leased. In the prior year, the Company assessed whether this met the definition of a finance or operating lease under IFRS 16. As the sub-lease period covered all of the remaining useful life of the right-of-use asset, it was accounted for as a sub-lease. During the year, the sub-lease was terminated ahead of its expiry date.

Finance leases

The following table summarises the undiscounted lease payments receivable after the reporting date.

	2020 £000	2019 £000
Not later than one year	-	425
Total undiscounted lease payments receivable	-	425
Net investment in the lease	-	425

Lease income from finance lease contracts in which the Company acts as a lessor is as below:

	2020 £000	2019 £000
Finance income on the net investment in finance leases	27	64

24. Share capital

	2020 £	2019 £
Shares classified as equity		
Allotted, called up and fully paid		
1,000 (2019 - 1,000) Share Capital shares of £1 each	1,000	1,000
Shares classified as debt		
Allotted, called up and fully paid		
100 (2019 - 100) Preference Shares shares of £1 each	100	100

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25. Reserves

Profit & loss account

Includes all current and prior period retained profits and losses.

26. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £37k (2019 - £70k). At 31 December 2020 the amount owed to the pension fund was £nil (2019 - £12k).

27. Capital Risk Management

The Company manages its capital through ongoing reviews of working capital and continuous monitoring of client trading and margin requirements to ensure the Company has sufficient funds in place moving forward to meet payment requirements and regulated minimal capital requirements, as necessary.

Management monitor projected trading cashflows and establish capital requirements well in advance of the date required.

The Company defines capital as including share capital classified as equity and retained earnings.

The directors are fully satisfied that the capital management procedures are appropriately implemented and that controls are operating effectively.

28. Guarantees and other financial commitments

Ares Management Limited have taken a charge over the assets of all the entities within the entity.

29. Related party transactions

As permitted by FRS 101 related party transactions with wholly owned members of the Group have not been disclosed.

The following balances were owed by related parties at the end of the reporting period:

	2020 £000	2019 £000
Project Galaxy Bidco Limited	913	85
Global Reach Group Limited	-	2
Global Reach Partners Limited	-	965

FOREIGN CURRENCY EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. Controlling party

The immediate parent undertaking is Project Galaxy Bidco Limited. The ultimate holding company of the Group is Global Reach Group Holdings (Jersey) Limited. The ultimate controlling parties are Inflexion Buyout Fund IV (No 1) Limited Partnership and Inflexion Buyout Fund IV (No 2) Limited Partnership. The two funds are managed by Inflexion Buyout Fund General Partner Guernsey Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by the ultimate parent company Global Reach Group Holdings (Jersey) Limited. The consolidated accounts of Global Reach Group Holdings (Jersey) Limited are available from the address as stated under the general information above (note 1).

31. Adjusted EBITDA

The company's adjusted EBITDA is calculated as follows:

	2020 £000	2019 £000
Operating (loss)/profit	(434)	39
Depreciation of tangible assets	38	52
Amortisation of intangible assets	1	1
Exceptional costs	75	-
CVA-DVA adjustment	27	(4)
Adjusted EBITDA (loss)/profit	(293)	88

32. Post Balance Sheet Events

There have been no significant events affecting the company since year end.