

Registered number: 06557752

**FINALTO FINANCIAL SERVICES LIMITED  
(PREVIOUSLY CFH CLEARING LIMITED)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**FINALTO FINANCIAL SERVICES LIMITED**

**COMPANY INFORMATION**

**DIRECTORS**

Mr S Bunimovich (appointed 13 September 2021)  
Mr T T Madsen (resigned 31 May 2021)  
Mr M J Maloney  
Mr P M Mildon  
Mrs J Free  
Mr P Hearn  
Mr D George  
Mr R Hoffman  
Mr J Schlachter

**COMPANY NUMBER**

06557752

**REGISTERED OFFICE**

11<sup>th</sup> Floor  
Broadgate Tower  
20 Primrose Street  
London  
EC2A 2EW

**INDEPENDENT AUDITOR**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

**BANKERS**

HSBC Bank Plc  
20 William Prance Road  
Plymouth  
PL6 5WR

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## **FINALTO FINANCIAL SERVICES LIMITED**

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## **FINALTO FINANCIAL SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **PRINCIPAL ACTIVITIES**

The principal activity of Finalto Financial Services Limited (previously CFH Clearing Limited) ("FFS") during the year was the provision of financial services, specifically brokerage services in leveraged financial products. The Company is regulated by the UK's Financial Conduct Authority (FCA).

#### **REVIEW OF THE BUSINESS**

During 2021, Finalto Financial Services Limited ("FFS") performed well in the first nine months of the year, with notable achievements in financial performance, system robustness and customer support. However, in Q4 FFS suffered trading losses due to very unfavourable market conditions. The key performance indicators monitored by the Directors were trading volumes, cash availability, the Company's solvency and regulatory capital for FCA purposes and the diversification of clients. Each of these KPIs remained strong over the course of 2021 compared to prior year.

Our overall financial performance deteriorated in Q4 2021, resulting in a loss before tax for the year (from a profit of £6,290,242 to a loss of £2,279,816). Over the course of 2021 client trading volume was \$1.2tn which is an 8% increase on 2020 (\$1.1tn), optimising our performance through a number of new initiatives rolled out to our client base resulting in increased turnover. Our business continued to onboard high quality clients throughout the year giving us a strong pipeline heading into 2022.

FFS's systems performed robustly in 2021 handling 20 million transactions during the year. We continue to make significant investments in the development of our technology to ensure it remains market leading and meets the ever increasing demand of our clients. During the year, we developed our liquidity offering by enhancing our analytic capabilities and designing bespoke liquidity solutions for our clients.

During the year the Company continued to invest in its customer support and compliance functions. FFS maintains the highest standards of regulatory and legal compliance and seeks to adhere to all relevant requirements. The Company continued to benefit from the strength of Finalto Group, and forms a key part of the Group offering multi-asset cross-margined products to a growing global client base.

FFS now has operations in Europe, utilising the licence of another Group Company, Magnasale Limited, and FFS Australia, using the licence of Finalto Asia Pty Ltd. The Group also launched FFS Singapore, an MAS regulated entity covering the Asia Pacific region.

Regulatory capital and solvency are continually monitored. The Company paid out dividends of £7.9m (2020: £nil) during the year but still had a regulatory capital of £29,637,429 as at 31 December 2021 (2020: £31,384,509), as a result of an injection of share capital from its parent, Finalto A/S. The Directors are pleased to see this and seek to build on FFS's high quality technology solutions, services and access to diverse liquidity offering during the coming year. To conclude, the Directors believe that 2022 will be a strong year for the business as we grow on the foundations laid in 2021.

Finalto Group was also successful at the annual Finance Magnates Industry awards, winning the Best Multi-Asset Trading Platform award.

#### **Principle Risks and Uncertainties**

FFS has conducted a thorough analysis of the likely impacts of global events and continues to benefit from the market volatility, generating EBITDA in excess of budget so far in 2022. However, there is no certainty that market conditions will continue as they have been so far in 2022.

The regulatory landscape is uncertain and continuously evolving which requires FFS to remain up to date on any regulatory updates and changes.

As Playtech Plc continues its simplification strategy for the Group, the sale of the Finalto Group has been agreed with Gopher Investments Limited and is awaiting regulatory approval. The sale was a strategic decision to allow Playtech to focus on its core gaming technology strategy and to allow Finalto Group to focus on future growth.

## FINALTO FINANCIAL SERVICES LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### *Effectiveness of the supply chain*

The Company relies on the services of fellow subsidiary undertakings for the fulfilment of certain key functions. The Company could therefore be adversely affected if some of those functions were either not provided, or provided on a basis that was deemed sub-standard. Such a situation could either prevent, or diminish to a degree the Company's ability to transact on behalf of its clients. In order to mitigate such risks, the Company seeks to enter in to formal Service Level Agreements, as well as retain the right and ability to engage alternative providers for such services.

#### *Other*

Further risks to the performance of the Company could arise from the general economic environment and market volatility levels, which could discourage existing clients from trading or potential clients from signing-up or making a deposit. If volatility is too low clients cannot initiate a trade with conviction or if too high, there is too much perceived risk.

The Directors have considered the ongoing uncertainty around global events when concluding FFS will continue as a going concern. Based on a review of forecasts and the benefit from the post year end market volatility from global events generating strong EBITDA so far in 2022, the Directors have concluded that the going concern basis remains appropriate although acknowledge there is no certainty that current market conditions will continue to remain as favourable as they have been so far in 2022.

#### **Remuneration**

Remuneration policy is determined by the Board of Directors with consideration of market employment conditions and regulatory requirements.

The total pay to Directors and other code staff in 2021 was £2,155,720 <sup>(1)</sup> (2020: £2,392,498).

	Directors <sup>(1)</sup>	Other Code Staff <sup>(1)</sup>	Directors <sup>(1)</sup>	Other Code Staff <sup>(1)</sup>
	2021	2021	2020	2020
	£	£	£	£
Fixed pay	703,378	698,126	858,053	582,800
Variable pay	342,578	333,315	576,599	305,013
Benefits	32,227	46,096	35,702	34,332
	<u>1,078,183</u>	<u>1,077,537</u>	<u>1,470,353</u>	<u>922,145</u>

<sup>(1)</sup> Includes payments borne by Finalto A/S.

#### **Statement in compliance with section 172(1) of CA 2006**

The Directors of the Company are acutely aware of the requirement for them to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In considering this duty the Directors consider the following stakeholders:

#### *Shareholders*

As a private Company, FFS has an ultimate shareholder which is Playtech Plc, a Company incorporated in the Isle of Man. The Directors have regular contact with the Finalto Group Board who in turn have regular contact with Playtech Plc which ensures that the business strategy of FFS is completely aligned with the strategic

## **FINALTO FINANCIAL SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

objectives of the Parent Company. Dividend payment to shareholders is discussed at Board level and is determined by overall Company performance along with future Company strategy and reinvestment of profits.

The FFS Board of Directors meet on a regular basis to review strategic, financial and operational performance to ensure FFS continues to maximise shareholder return on investment and to meet shareholder objectives.

As Playtech Plc continues its simplification strategy for the Group, the sale of the Finalto Group has been agreed with Gopher Investments Limited and is awaiting regulatory approval.

#### *Employees*

A networking meeting of Executive Directors and management team is held on a regular basis to provide information for management to cascade to their teams and to enable Executive Directors to interact freely with employees. The Company also provides internal publications, an intranet, communication programmes and management and staff meetings as well as a confidential whistleblowing hotline. Remuneration of the Board and key employees is subject to the approval of the Remuneration Committee.

#### *Customers*

The Group has a varied customer base including fund managers, hedge funds, corporates and private individuals. The Company has always been a customer needs led organisation and treating customers fairly is ingrained in the organisation. The behaviour of employees towards customers is governed by the Company policies and the FCA's requirements.

#### *Suppliers*

We have various key supplier relationships which work more as a partnership which ensures the smooth running of our business. Key relationships are reviewed periodically to ensure they remain appropriate.


#### *Conduct*

The Company promotes a culture of high standards of business conduct. There is regular training to all staff regarding treating customers fairly and anti-bribery and corruption. The conduct policies also ensures staff and the Board act fairly within the Company.

#### *Community and the environment*

As a Company FFS encourages and provides sponsorship to employees to take part in various charity events globally.

This report was approved by the board on 21 April 2022 and signed on its behalf by:



Mr Matthew Maloney  
Director

## **FINAL TO FINANCIAL SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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

#### **RESULTS**

The loss for the year, after taxation, amounted to £1,653,972 (2020: profit £5,854,685). The Company paid out dividends of £7.9m (2020: £nil) during the year.

There have not been any political contributions made during the financial year (2020: nil).

#### **GOING CONCERN**

The Directors have considered the Company's ability to continue as a going concern and, having made appropriate enquiries of management are satisfied that the Company has sufficient resources to continue operating for the foreseeable future, and at a minimum for a period of 12 months from the date of this report. As part of the ICAAP and ILAAP process, the 3 year business plan is subject to a number of stress tests based on market and other risks that will likely affect capital and liquidity of the business. The results of the stress tests show the business is well capitalised and has adequate liquidity to continue operating as a going concern. The Company has managed the uncertainty around COVID-19 and the Directors are confident this will continue to be managed. Accordingly, these financial statements have been prepared on a going concern basis.

#### **DIRECTORS**

The Directors who served at the date of this report and who served throughout the year, except as otherwise stated, were as follows:

Mr S Bunimovich (appointed 13 September 2021)  
Mr T T Madsen (resigned 31 May 2021)  
Mr M J Maloney  
Mr P M Mildon  
Mrs J Free  
Mr P Hearn  
Mr D George  
Mr R Hoffman  
Mr J Schlachter

#### **STRATEGIC REPORT**

In accordance with section 414C of the Companies Act 2006, the Company has produced a Strategic Report which is set out in pages 2 to 4.

#### **BRANCHES OUTSIDE THE UK**

The Company has an unincorporated branch in Denmark.

#### **DIRECTORS AND OFFICERS INDEMNITY INSURANCE**

The Company has taken out insurance to indemnify the Directors and Officers in respect of third party proceedings against them whilst they are serving on the Board of the Company. These indemnity policies subsisted throughout the year and remain in place at the date of this report.

#### **PROVISION 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 that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

**FINALTO FINANCIAL SERVICES LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**INDEPENDENT AUDITOR**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

This report was approved by the Board on 21 April 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Matt Maloney', is written over the printed name.

Mr Matthew Maloney  
Director



## **FINALTO FINANCIAL SERVICES LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **FINALTO FINANCIAL SERVICES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINALTO FINANCIAL SERVICES LIMITED**

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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.

We have audited the financial statements of Finalto Financial Services Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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).

#### **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.

#### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

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

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

We have nothing to report in this regard.

## **FINALTO FINANCIAL SERVICES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINALTO FINANCIAL SERVICES LIMITED**

#### **Other Companies Act 2006 reporting**

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.

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.

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

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

#### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities, 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.

#### **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.

#### ***Extent to which the audit was 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

## **FINALTO FINANCIAL SERVICES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINALTO FINANCIAL SERVICES LIMITED**

- We gained an understanding of the legal and regulatory framework applicable to the Company and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These laws and regulations included but were not limited to compliance with the Companies Act 2006 and those resulting from being authorised by the Financial Conduct Authority to undertake regulated activities.
- We enquired of management to identify how the entity is complying with those legal and regulatory frameworks and whether there were any known instances of non-compliance, or any actual, suspected or alleged fraud.
- We assessed the risk of susceptibility of the entity's financial statements to material misstatement, including how fraud might occur and determined the principle risks related to revenue recognition and management override.
- We obtained an understanding of the entity's control environment that has been established to prevent, detect and deter fraud, in particular in relation to the appropriateness of revenue recognition and management override.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments in the general ledger.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

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

DocuSigned by:

*Vanessa Bradley*

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Vanessa-Jayne Bradley (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London, UK  
21 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**FINALTO FINANCIAL SERVICES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021	2020
		£	£
<b>Turnover</b>	3	19,539,781	22,755,669
Cost of Sales		(16,683,162)	(12,522,186)
Gross profit		2,856,619	10,233,483
Administrative expenses		(5,733,254)	(4,234,408)
<b>Operating Profit/(Loss)</b>	4	(2,876,635)	5,999,074
Interest Income	5	727,229	401,006
Interest payable and similar charges	6	(130,410)	(109,837)
<b>Profit/(Loss) on ordinary activities before taxation</b>		(2,279,816)	6,290,242
Tax on (profit)/loss on ordinary activities	9	625,844	(435,557)
<b>Profit/(Loss) for the year</b>		(1,653,972)	5,854,685
<b>Other Comprehensive Income</b>			
Gain/(Loss) on FX translation of foreign operation		132,708	(127,083)
<b>Total comprehensive profit/(loss) for the year</b>		(1,521,264)	5,727,603

All amounts relate to continuing operations.

The notes on pages 14 to 26 form part of these financial statements.

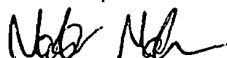
**FINALTO FINANCIAL SERVICES LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	Note	2021	2020
		£	£
<b>Fixed assets</b>			
Tangible assets	10	80,127	63,812
Intangible assets	11	352,049	237,295
<b>Non-current assets</b>		<u>432,177</u>	<u>301,107</u>
<b>Current assets</b>			
Debtors	12	22,411,726	16,621,664
Cash at bank and in hand	15	148,076,495	139,494,201
<b>Current assets</b>		<u>170,488,221</u>	<u>156,115,864</u>
<b>Creditors – Amounts falling due within one year</b>	13	<u>(141,282,969)</u>	<u>(125,032,464)</u>
<b>Net current assets</b>		<u>29,205,252</u>	<u>31,083,401</u>
<b>Total assets less current liabilities</b>		<u>29,637,430</u>	<u>31,384,509</u>
Lease liability		-	-
<b>Net assets</b>		<u>29,637,430</u>	<u>31,384,509</u>
<b>Capital and reserves</b>			
Called up share capital	14	11,068,092	11,068,092
Share Premium		7,535,838	-
Reserves		11,033,499	20,316,417
<b>Total Equity</b>		<u>29,637,430</u>	<u>31,384,509</u>

The notes on pages 14 to 26 form part of these financial statements.

The financial statements on pages 11 to 26 were approved by the board of Directors and authorised for issue on 21 April 2022 and were signed on its behalf by



Mr Matthew Maloney  
Director

Registered number: 06557752

**FINALTO FINANCIAL SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
AS AT 31 DECEMBER 2021**

	<b>Called Up Share Capital</b>	<b>Share premium</b>	<b>Profit and loss account</b>	<b>Foreign Exchange Translatio n Reserve</b>	<b>Total Reserves</b>	<b>Total Equity</b>
	£	£	£	£	£	£
Balance at 1 January 2021	11,068,092	-	20,533,730	(217,313)	20,316,417	31,384,509
Loss for the year	-	-	(1,653,972)	-	(1,653,972)	(1,653,972)
Share issue	1	7,535,838				7,535,839
Other comprehensive income	-	-	-	132,708	132,708	132,708
<b>Total comprehensive profit for the year</b>	-	-	(1,653,972)	132,708	(1,521,264)	6,014,574
Dividend paid	-	-	(7,900,773)	-	(7,900,773)	(7,900,773)
Share based payment reserve	-	-	139,119	-	139,119	139,119
<b>Balance at 31 December 2021</b>	<b>11,068,093</b>	<b>7,535,838</b>	<b>11,118,104</b>	<b>(84,605)</b>	<b>11,033,499</b>	<b>29,637,430</b>

	<b>Called Up Share Capital</b>	<b>Profit and loss account</b>	<b>Foreign Exchange Translation Reserve</b>	<b>Total Reserves</b>	<b>Total Equity</b>
	£	£	£	£	£
Balance at 1 January 2020	11,068,092	14,533,548	(90,230)	14,443,318	25,511,410
Profit for the year	-	5,854,685	-	5,854,685	5,854,685
Other comprehensive loss	-	-	(127,083)	(127,083)	(127,083)
<b>Total comprehensive profit for the year</b>	-	5,854,685	(127,083)	5,727,602	5,727,602
Share based payment reserve	-	145,498	-	145,498	145,498
<b>Balance at 31 December 2020</b>	<b>11,068,092</b>	<b>20,533,730</b>	<b>(217,313)</b>	<b>20,316,417</b>	<b>31,384,509</b>

## **FINALTO FINANCIAL SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **GENERAL INFORMATION**

Finalto Financial Services Limited (previously CFH Clearing Limited) ("FFS") is a limited Company by shares domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is 11<sup>th</sup> Floor, Broadgate Tower, 20 Primrose Street, London, EC2A 2EW.

The Company's principal activity during the year was the provision of financial services, specifically brokerage services in foreign exchange trading. The nature of the Company's operations is set out in the review of the business.

The financial statements are presented in sterling which is also the functional currency of the Company.

#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with the Companies Act 2006, including provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK adopted International Financial Reporting Standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Playtech Plc includes the Company in its consolidated financial statements. The consolidated financial statements of Playtech Plc are prepared in accordance with IFRS and are available to the public and may be obtained from Playtech Plc, Ground Floor, St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EE.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

In these financial statements the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- A Cash Flow Statement and related notes
- Comparative period reconciliations for share capital and fixed assets

##### **1.2 Going concern**

The Directors have taken the following steps to satisfy themselves of the Company as a going concern:

- reviewed budgets and forecasts for the period to 31 December 2023
- reviewed the sensitivity of the business budgets and forecasts
- evaluated the Company's access to capital

During 2021, FFS made certain enhancements to its product offering with expectations that this will lead to improved profitability in 2022. The Directors have carefully considered the timetable for implementation of these changes along with contingency plans should they be required in relation to these projects and have concluded that the going concern assumption will not be affected.

FFS continues to benefit from the expansion of the customer base and product offering and has generated EBITDA in excess of budget so far in 2022. There is no certainty that market conditions will continue to



## **FINALTO FINANCIAL SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

remain as favourable as they have been so far in 2022. The Directors have considered this when concluding FFS will continue as a going concern.

The Directors have conducted a thorough analysis of the ongoing market volatility due to global events on its business and is confident that FFS will continue as a going concern.

#### **1.3 Turnover**

Fees and commissions in relation to forex broking transactions are recognised on the trade date of the underlying transaction. Other fees and commissions are recognised as services are provided. Turnover is reported gross of introducer commissions as these amounts directly link to turnover. Introducer commissions are included in cost of sales. Turnover includes interest receivable on broker trading deposits. Within turnover is swap income which is offset against swap cost recognised in cost of sales. Where applicable, turnover is stated exclusive of value added tax.

#### **1.4 Employee benefits**

##### **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### **1.5 Interest receivable and payable**

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

#### **1.6 Depreciation and Amortisation**

Intangible and tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation or amortisation and any impairment losses. Depreciation and amortisation is provided on fixed assets, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over their estimated useful life. Estimated useful lives are as follows:

- software development	36 months
- leasehold improvements	60 months
- computer equipment	36 months
- fixtures and fittings	36 months
- software licenses	36 months

Depreciation and amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

## FINALTO FINANCIAL SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1.7 Financial Instruments

##### *Classification and measurement*

Financial assets and liabilities are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVTOCI) and those to be measured subsequently at fair value through profit and loss (FVTPL). Classification of debt instruments is driven by the entity's business model for managing its financial assets and liabilities and whether the cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised costs if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sell assets may be classified as FVTOCI. Financial assets and liabilities that do not contain cash flows that are SPPI must be measured at FVTPL. Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Investments in equity instruments are always measured at fair value. However, management can make irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit and loss. Most of the requirements in IAS39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS9.

##### *Impairment*

The expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Entities must calculate probability of default (PD), losses given default (LGD) and exposure at default (EAD) to estimate security-level expected credit loss provisioning amounts. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables. The Company applied the 'three-stage' approach to determine a minimal expected credit loss.

#### 1.8 Share Based Payment Reserve

The Company operates a share based compensation plan whereby employees are awarded equity settled share options by the parent Company for services provided to this Company. The Company has no obligation to settle the awards.

The fair value of the options at the date of grant is charged to profit or loss over the vesting period with a corresponding entry in retained earnings. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received.

## **FINALTO FINANCIAL SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **1.9 Taxation**

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### **1.10 Foreign currencies**

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

Foreign exchange differences resulting on re-translation of monetary items are recognised in profit or loss account. Foreign exchange differences arising on translation of foreign operations are recognised in other comprehensive income and are not recycled.

## FINALTO FINANCIAL SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1.11 Share capital

The Company's share capital is denominated in Euro and is translated to pounds sterling at the exchange rate effective on the date the shares are issued. Share capital is carried at historic cost.

#### 1.12 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The adoption of IFRS 9 in 2019 did not have any material impact on the financial statements.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

##### Critical Judgements: Debtors

In determining the likely recoverability of past due debtors, management makes judgements as to the credit worthiness of the debtor.

Bad debt provision is based on the following points:

- Whether the customer is still active: whether it was terminated by Finalto or stopped trading.
- The age of the outstanding balance.
- Whether the value of the outstanding balance is material to the financial statements.

These are all factors that are considered before a provision is taken against a receivable balance. The results from these factors determine the value of the provision made against balance which is assessed individually.

## 2. FINANCIAL RISK MANAGEMENT

The Directors monitor and measure on an ongoing basis the risks affecting the Company.

The Company's Internal Capital Adequacy Assessment Process (ICAAP) is prepared and monitored in accordance with FCA requirements. The ICAAP provides an ongoing assessment of the risks the Company believes have the potential to have significant detrimental impact on its performance and prospects and describes how the Company mitigates these risks subject to the Company's risk appetite.

Financial risks arising from financial instruments are separated into market, credit and liquidity risks discussed below.

##### Market Risk - Foreign currency risk

Foreign exchange risk arises when obligations of the Company are to be paid in a currency other than GBP. At the year end the Company holds cash and has obligations to creditors primarily in Euro and US Dollars. The GBP to USD and GBP to Euro exchange rates at 31 December 2021 were \$1.3530 (2020: \$1.3669) and €1.1899 (2020: €1.1189) respectively.

	2021	2020
Net assets / (liabilities)	£	£
Euro	535,215	499,534
US Dollar	(13,577,347)	2,583,379
Other currencies	12,293,629	8,281,893

Based on the Company's year-end net asset denominated in non-Sterling currencies the impact of a 10% strengthening in Sterling against the other currencies would be a loss of £2,907,999 (2020: £2,924,880) and the impact of a 10% weakening in Sterling against the other currencies would be a gain of £3,566,148 (2020: £3,585,954).

**FINALTO FINANCIAL SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

The Company holds some exposures in financial instruments which carries market risk. This is managed through active monitoring and management by senior personnel and management under the supervision of the Board of Directors. The Company is not exposed materially to any other form of market risk, including interest rate risk.

**Credit risk**

At 31 December 2021 the Company had credit exposures of £178,766,211 (2020: £155,598,327), of which £125,496,350 (2020: £119,798,667) was cash held with counterparties with at least a rating of A and £11,911,534 (2020: £11,698,910) was cash held with counterparties with at least a rating of BBB, £nil (2020: £818) were amounts due from institutions with a credit rating of A or better, £10,668,610 (2020: £19,904,129) was an amount due from an unrated affiliate.

**Liquidity risk**

Liquidity risk is the risk of not being able to meet liabilities as they fall due. The Company's obligations are monitored daily and the Company is adequately capitalised and has steady revenues to meet its day to day obligations. All of the Company's obligations are due in less than one year.

**Capital management**

The Company's regulatory capital resources management objective is to ensure it complies with the regulatory capital resources requirements set by the FCA. The Company's capital management policy aims to maximise returns, whilst maintaining a strong capital position to support the development of the business. The Company has not breached its minimum requirements during the year.

As at 31 December 2021, FFS held £29,637,429 (2020: £31,384,509) of Tier 1 capital in the form of ordinary share capital and audited reserves. The Company had a significant regulatory capital surplus of £14,983,653 as at 31 December 2021 (2020: £21,587,469).

**3. TURNOVER**

	2021	2020
	£	£
Rendering of services	19,539,781	22,755,669

All turnover is derived from activities within the UK.

**4. OPERATING PROFIT**

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2021	2020
	£	£
Depreciation and amortisation	209,743	121,864
Foreign exchange (gain)/loss	(469,612)	466,374
Bad debt provision	277,310	182,962
Fees payable to the Company's auditor:		
- for the audit of these financial statements	60,000	60,000
- for audit-related assurance services	32,000	27,000
Total payable to the Company's auditor	92,000	87,000

**FINALTO FINANCIAL SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021****5. INTEREST RECEIVED**

	2021	2020
	£	£
Interest received from group undertakings	727,229	401,006
	<u>727,229</u>	<u>401,006</u>

**6. INTEREST PAID**

	2021	2020
	£	£
Interest paid to group undertakings	44,304	-
Interest paid and charges paid to banks	86,105	109,837
	<u>130,410</u>	<u>109,837</u>

**7. EMPLOYEES**

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

	2021	2020
	£	£
Wages and salaries	2,803,025	2,766,397
Social security costs	332,392	231,309
Other Pension Costs	82,620	73,800
	<u>3,218,036</u>	<u>3,071,506</u>

The wages and salaries above does not include costs borne by the parent Company related to a number of Directors' remuneration.

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

	2021	2020
	Number	Number
Directors	7	7
Sales employees	8	7
Support employees	17	14
	<u>32</u>	<u>28</u>

**FINALTO FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**8. DIRECTORS' REMUNERATION**

	2021	2020
	£	£
Aggregate emoluments	<u>1,078,183</u>	<u>1,470,353</u>
Contributions to a personal pension totalled £25,730 (2020: £30,588)		
<b>Highest Paid Director</b>		
	2021	2020
	£	£
Emoluments	<u>412,921</u>	<u>471,854</u>
Contributions to a personal pension totalled £9,000 (2020: £7,249)		

**FINALTO FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**9. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

Factors affecting the current tax charge are explained below:

	2021	2020
	£	£
Current tax:		
UK corporation tax	-	1,199,042
Adjustments in respect of prior periods	(486,968)	(747,364)
Total current tax charge	(486,968)	451,678
Deferred tax:		
Origination and reversal of temporary differences	(131,444)	(15,249)
Effect of tax rate change on opening balance	(7,432)	-
Adjustments in respect of prior periods	-	(872)
Total deferred tax charge/(credit)	(138,876)	(16,121)
Total (credit)/charge on profit/(loss) on ordinary activities	(625,844)	435,557
Profit/(Loss) on ordinary activities before tax	(2,147,109)	6,163,159
Profit/(Loss) on ordinary activities at the effective rate of corporation tax in the UK: 19.00% (2020: 19.00%)	(407,951)	1,171,000
Effects of:		
Expenses not deductible for tax purposes	28,464	32,252
Fixed asset differences	2,785	2,785
Deferred Tax not recognised	5	15,718
R&D expenditure credits	-	2,625
Timing differences not recognised in the computation	(91,237)	(42,436)
Adjustments to tax charge in respect of previous periods	(486,968)	(747,364)
Group relief surrendered	84,629	-
Losses carried back	283,407	-
Adjust closing deferred tax to average rate at 19%	(38,979)	977
Current tax (credit)/charge for the year	(625,844)	435,557



**FINALTO FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**10. TANGIBLE FIXED ASSETS**

	Computer Equipment	Leasehold Improvements	Fixtures and Fittings	Software Licences	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2021	118,048	73,297	42,040	33,278	266,663
Additions	82,832	-	-	-	82,832
Disposals	(1,417)	-	-	(857)	(2,274)
<b>Total Cost</b>	<b>199,463</b>	<b>73,297</b>	<b>42,040</b>	<b>32,421</b>	<b>347,221</b>
<b>Depreciation</b>					
At 1 January 2021	(74,913)	(57,431)	(41,847)	(28,662)	(202,853)
Depreciation charge for year	(47,159)	(14,659)	(80)	(4,616)	(66,514)
Disposals	1,417	-	-	857	2,274
<b>Total depreciation</b>	<b>(120,656)</b>	<b>(72,090)</b>	<b>(41,927)</b>	<b>(32,421)</b>	<b>(267,094)</b>
<b>Net Book Value</b>					
At 31 December 2021	78,808	1,207	113	-	80,128
At 31 December 2020	43,135	15,866	194	4,616	63,812

**11. INTANGIBLE ASSETS**

	Software Development	Total
	£	£
<b>Cost</b>		
At 1 January 2021	306,647	306,647
Additions	257,985	257,985
Disposals	-	-
<b>Total Cost</b>	<b>564,632</b>	<b>564,632</b>
<b>Depreciation</b>		
At 1 January 2021	(69,351)	(69,351)
Depreciation charge for year	(143,231)	(143,231)
Disposals	-	-
<b>Total depreciation</b>	<b>(212,582)</b>	<b>(212,582)</b>
<b>Net Book Value</b>		
At 31 December 2021	352,049	352,049
At 31 December 2020	237,295	237,295

**FINALTO FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**12. DEBTORS**

	2021	2020
	£	£
Trade debtors	712,192	519,668
Other debtors	99,989	437,740
Corporation Tax Receivable	1,312,695	565,152
Amounts owed by group undertakings	19,904,129	14,724,774
Deferred tax asset	162,410	23,534
Prepayments and accrued income	220,311	350,796
	<u>22,411,726</u>	<u>16,621,664</u>

The amounts owed by group undertakings are unsecured and repayable on demand.

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

Amounts falling due within one year	2021	2020
	£	£
Trade creditors	2,463,693	544,163
Other creditors	138,026,960	123,584,225
Social security and other taxes	189,848	118,038
Amounts owed by group undertakings	262,954	-
Accruals and deferred income	339,514	786,038
	<u>141,282,969</u>	<u>125,032,464</u>

Within Other creditors is an amount of £138,026,960 (2020: £119,713,363) owing to clients, being a combination of margin deposited by clients for trading and the profit or loss generated by such trades.

**14. SHARE CAPITAL**

	2021	2020
	£	£
<b>Allotted and fully paid</b>		
12,846,259 (2020: 12,846,258) ordinary shares of €1 each	11,068,093	11,068,092
Share Premium	<u>7,535,838</u>	<u>11,068,092</u>

# FINALTO FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 15. CASH AT BANK AND IN HAND

	2021	2020
	£	£
Cash at bank and in hand	148,076,495	139,494,201

Cash at bank and in hand comprise of cash held with banks.

### 16. RELATED PARTY TRANSACTIONS

The Company's immediate parent undertaking is Dowie Investments (UK) Limited and the ultimate parent undertaking is Playtech Plc, a company incorporated in the Isle of Man. Playtech Plc is listed on the premium segment of the London Stock Exchange's Main Market and copies of its consolidated financial statements may be obtained from the Playtech group's website ([www.playtech.com](http://www.playtech.com)). The smallest and largest group in which the Company's results are consolidated is that headed by Playtech Plc. Playtech Plc is registered at Ground Floor, St George's Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. Magnasale Trading Limited ("Magnasale"), Finalto Trading Limited ("FT") (formerly Trade Tech Alpha Limited), Finalto Group Limited ("FG"), Finalto (BVI) Limited and Finalto Australia Pty Ltd are related by virtue of being companies within the Group headed by Playtech Plc.

During the year, the following transactions took place between the Company and related parties:

#### Fellow group undertakings

The Company received liquidity services from, Magnasale and FT. The Company had client trades hedged with FT and Magnasale whereby the underlying risk and exposure of certain customer trading transactions is passed to said companies. At 31 December 2021, the Company had client trades hedged with Magnasale and FT to the value of £2,097,668 (2020: £1,976,339.10) and £981,172 (2020: £146,805.88) respectively.

At 31 December 2021, the Company had the following balances with the following related parties:

- Cash and debtor balances included £478,916 (2020: £313,344) held with Magnasale.
- Cash and creditor balances included £987,037 (2020: £973,789) held with Finalto Australia Limited.
- Cash and creditor balances included £5,082,581 (2020: £nil) held with Finalto (BVI) Limited.
- Cash and debtor balances included £8,870,999 (2020: £nil) held with Finalto Group Limited
- Cash and debtor balances included £1,745,575 (2020: £1,329,989) held with Finalto Trading Limited. Creditor Balance £3,554,088 (2020: £9,148,725) also held with Finalto Trading Limited.

	Sales to		Administrative expenses incurred from	
	2021	2020	2021	2020
	£	£	£	£
Parent	727,229	588,064	11,173,677	10,432,777
Other related parties	10,583,216	21,104,796	17,083,872	2,807,602
	11,310,445	21,692,860	28,257,549	13,240,379

Other related parties includes subsidiaries of Playtech Plc.

Within Other Creditors in note 13 is an amount of £nil (2020: £3,697,082) of loan repayable to other Group entities.

**FINALTO FINANCIAL SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

**17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent undertaking is Playtech Plc, a company incorporated on the Isle of Man. Financial statements for the parent undertaking can be obtained from Playtech Plc, Ground Floor, St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EE. Playtech Plc does not have a single controlling shareholder.

The largest group in which the results of the Company are consolidated is that headed by Playtech Plc, Ground Floor, St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EE. The smallest group in which they are consolidated is that headed by Consolidated Financial Holdings A/S, Dampfærgevej 8, 4th floor, 2100, Copenhagen, Denmark. The consolidated financial statements of these groups are available to the public.

## **FINALTO FINANCIAL SERVICES LIMITED**

### **APPENDIX 1 (Unaudited)**

#### **RISK MANAGEMENT**

The directors monitor and measure on an ongoing basis the risks affecting the company. A full disclosure of the directors' assessment of these risks and how they are mitigated is detailed below.

##### **Overview**

Finalto Financial Services Limited (previously CFH Clearing Limited) ("FFS") is regulated by the Financial Conduct Authority (the "FCA"). Within its Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), the FCA has set out its regulations for implementation of the Basel 2 capital adequacy framework. This framework consists of three pillars, each of which focuses on a different aspect of capital adequacy and stability.

Pillar 1 is a formal set of rules for calculating a firm's minimum capital requirements.

Pillar 2 focuses on a firm's internal capital adequacy assessment process.

Pillar 3 is designed to be a public disclosure of a firm's risk and capital profile building upon Pillar 1 and Pillar 2.

##### **Pillar 3 disclosure**

The following is the Pillar 3 disclosure for FFS in accordance with the FCA's IFPRU regulations (Chapter 11).

##### **Scope**

FFS is a wholly owned subsidiary of Finalto A/S. For the purposes of the FCA requirements, this disclosure relates to FFS alone. FFS does not have any subsidiary undertakings.

##### **Capital Resources**

As at 31 December 2021, FFS held £29,637,429 (2020: £30,951,530) of Tier 1 capital in the form of ordinary share capital, share premium and audited reserves.

##### **Internal Capital Adequacy Process – "ICAAP"**

FFS considers the ICAAP process a key risk management and monitoring tool, comprising the business' risk management framework, business planning and capital management.

##### **Risk Management Framework**

FFS has compiled a risk register to identify its key risks and to enable ongoing management and monitoring of these risks ("Risk Register"). The register was compiled by senior management and reviewed and approved by the Board.

The Board and senior management of FFS comprise four executives and four non-executive directors, of which two are independent non-executive directors, with significant senior level knowledge and understanding of the industry and management expertise.

Senior Management has identified the key risks which it expects the business to face based on their experience and knowledge of the industry. It has measured and ranked the risks according to their significance and likelihood.

The Risk Register is used as a basis for ongoing management and monitoring of the risks facing the business. Risks are monitored by the legal, operational and finance teams on a continuous basis and reports submitted to the Board at regular board meetings. The Risk Register itself is reviewed annually by the Board.

## **FINALTO FINANCIAL SERVICES LIMITED**

### **APPENDIX 1 (Unaudited)**

#### *Business Planning*

Strategic planning is led by the CEO of FFS and considered at Board level. In determining the best route to growth and profitability for the business, the Board considers various factors including the markets in which it wants to operate, the clients it should target, the technology it should use, the products it should research and develop to sell and the overall risk appetite of the business.

Strategic planning is supported by financial planning. The Finance department compiles the annual budget, based on assumptions provided by senior management of the business and ratified by the Board. The budget is reviewed and approved by the Board. This is updated annually for review and sign off by the Board. In addition, the finance department compiles a three year forecast on the same basis as the annual budget.

#### *Capital Management*

The company is supervised by the UK's Financial Conduct Authority (FCA). The company's regulatory capital resources management objective is to ensure it complies with the regulatory capital resources requirements set by the FCA. The company's capital management policy aims to maximise returns, whilst maintaining a strong capital position to support the development of the business. The company's Internal Capital Adequacy Assessment Process (ICAAP) is prepared and monitored in accordance with FCA requirements. The company had significant surplus regulatory capital resources over resources requirements throughout the year.

#### **Capital Requirements**

##### *Credit Risk*

Credit risk is defined as "the potential loss to an institution of all or part of a loan, outstanding debtor balance, security, guarantee or indemnity given by the institution."

For FFS, credit risk principally arises from the settlement of market transactions, amounts receivable from clients and counterparties and bank deposits.

The credit risk from settlement of market transactions is mitigated by the fact that FFS only trades with recognised and creditworthy liquidity providers.

Collateral is placed with a number of banks and brokers, each of which are assessed for credit worthiness.

The credit risk arising from amounts receivable from clients is mitigated by the fact that all clients deposit margins before they commence trading and any commission owed to FFS by the clients is taken directly from this margin. Client trades are stopped out automatically when a certain proportion of the margin has been lost.

Clients are granted pre-agreed temporary credit when requested for a time limit of 24 hours subject to a swift confirmation of a next day payment. The swift confirmation is an irrevocable message providing comfort the funds will arrive on the value date confirmed. Other clients can also be offered credit over a longer period of time. These credit requests and the clients' financials are reviewed by the executive level Credit Risk Committee to assess the credit worthiness of the client and whether it is a risk FT is willing to bear.

Other trade receivables arising from amounts invoiced on a monthly basis are followed up when required by FFS's Finance department. These receivables stood at £522,247 as at 31 December 2021 (2020: £304,433). These amounts were collected within normal terms subsequent to year end.

FFS regularly assesses all of its amounts receivable and calculates the additional capital required to be held against these exposures in accordance with the FCA guidance and any further capital as determined by the Board.

Bank deposits are placed with a number of banks each of which has a high credit rating.

## **FINALTO FINANCIAL SERVICES LIMITED**

### **APPENDIX 1 (Unaudited)**

#### *Market Risk*

Market risk is defined as "the risks that arise from fluctuations in values of, or income from assets or in interest or exchange rates."

The Company holds some exposures in financial instruments which carries market risk. This is managed through active monitoring and management by senior personnel and management under the supervision of the Board of directors. The Company is not exposed materially to any other form of market risk, including interest rate risk.

FFS anticipate that there are efficiencies to be gained through this activity whilst still observing the best execution requirements of its clients. FFS intends that market risk shall at all times stay within regulatory capital requirements. As FFS's expertise in this area develops, it is possible that the risk positions will grow but at all times it is envisaged that, through the application of proprietary, automated risk management tools, balance sheet risk will not exceed 75% of available capital. The budget assumes that no more than £22m of Tier 1 Capital will be required to mitigate Market Risk.

FFS does have some foreign exchange exposure, in that the majority of its revenues are in US Dollars and its costs are in Sterling. The Board monitors this and will consider hedging any position if it considers this appropriate.

#### *Operational Risk*

Operational risk is defined as "the risks of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risks."

FFS seeks to mitigate operational risk to acceptable residual levels by maintaining a strong control environment which is overseen by the Directors and the Chief Risk Officer. In addition, FFS seeks to employ skilled and appropriately qualified staff to maintain the requisite systems and perform the processes within this control environment.

In addition, FFS has taken out appropriate insurance cover.

FFS maintains Pillar 1 Capital in respect of an operational risk capital requirement. The Board regularly reviews whether Pillar 2 capital is required beyond this in respect of operational risk.

#### *Liquidity Risk*

Liquidity risk is defined as "the risk arising from a mismatch between assets and liabilities and the ability to realise assets to meet liabilities as they fall due."

The company's Internal Liquidity Adequacy Assessment (ILAA) is prepared and monitored in accordance with FCA requirements.

The large majority of FFS's assets are held as cash. The FFS treasury function holds this cash in liquid funds in order that FFS can meet its liabilities as they fall due.

In addition, the nature of FFS's business and the method by which it earns commission revenues from clients which are paid daily from client margin accounts, mean that FFS has a high correlation between profitability and cash generation.

## **FINALTO FINANCIAL SERVICES LIMITED**

### **APPENDIX 1 (Unaudited)**

#### *Concentration Risk*

Concentration risk is defined as "the risk arising due to exposure to sectoral, geographic, liability and assets concentration".

FFS conducts business globally and has no particular geographic concentration risk. As a growing business, FFS continues to diversify its client base and product offering. The Board reviews concentration risk and encourages the growth in clients and products, but within a controlled environment.

#### *Reputational Risk*

Reputational risk is defined as "the risk that poor performance or poor customer services may lead to potential economic loss."

FFS mitigates this risk principally by employing appropriately qualified and skilled staff in all areas of the business to ensure high standards of client service. In addition, FFS performs detailed due diligence on any outsourced service providers and continues to monitor the performance of these providers.

#### *Business Risk*

Business risk is defined as "any risk to a firm arising from change in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy."

The Board of FFS meet on a quarterly basis at least (and on an ad hoc basis where required) to discuss business strategy and changes in the market and business environment in which FFS operates. There are members of the Board who are not involved in the day-to-day management of the business. This allows for discussions on all elements of business strategy and reassessment of strategy where appropriate.