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# **MONECOR (LONDON) LIMITED**

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## **ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

Registered number: 00851820



## Company Information

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**DIRECTORS**

S Bird  
J Wilson  
P Adler  
L Merolla  
R Nettles  
S Sharma

**COMPANY SECRETARY**

Waterstone Company Secretaries Limited

**REGISTERED NUMBER**

00851820

**REGISTERED OFFICE**

26 Finsbury Square  
London  
EC2A 1DS

**INDEPENDENT AUDITOR**

RSM UK Audit LLP  
25 Farringdon Street  
London  
EC4A 4AB

# Strategic Report

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The Directors present their review of the activities of the Group and Company for the year ended 31 December 2021. The Directors, in preparing this strategic report have complied with s414C of the Companies Act 2006.

## **Companies Act 2006 s172(1) statement**

The Directors are responsible for promoting the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, clients, and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct,
- (f) the need to act fairly as between members of the company.

The Directors, acknowledge their duties to promote the success of the Company and ensure wider engagement with stakeholders. The Directors meet regularly with the Company's Executive Committee in order to guarantee that these duties are being carried out and on occasion, external advice will be sought if deemed necessary. Furthermore, the Directors have ensured that the governance framework in place adequately delegates decision making to the most appropriate employees of the Company.

The Company continues its commitment to being a responsible organisation. The behavioural expectations of the Company's employees, clients, shareholders, as well as the community that it acts in are all considered during material decision making. The link between the Company's values and success is closely associated and the Company are invested in ensuring common values that include trust, transparency, innovation, curiosity, ambition and courage are instilled throughout the business to guide behaviour, which in turn will assist the Company in achieving its goals.

The Directors believe treating all counterparties with which it interacts, with integrity and respect will foster stronger, longer lasting relationships. Enhancing the Company's reputation through strong client support, care and fair treatment is a key objective of the Board and will significantly influence how successful the Company will be. The improved operational efficiencies that form an integral part of the Company's strategy, contribute to these objectives.

## **Business Overview**

The Company carried on the business of providing execution-only trading of Contracts for Difference (CFDs) and Financial Spread Bets. The Company is Authorised and Regulated by the Financial Conduct Authority (FCA) – Firm Reference Number 124721. These services are provided to retail, professional and corporate clients primarily located in the UK.

The business offers two online trading platforms on which its clients can execute trades as CFDs or Financial Spread Bets on Equities, Indices, FX and Commodities.

1. A proprietary platform – TraderPro
2. A third-party platform – MetaTrader 4 (MT4)

The Company generates its revenue primarily from three models which includes online CFD trading and financial spread bets, sales trading, and corporate broking.

## Strategic Report

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*Online CFD trading and Financial Spread bets:* Spread, commission and funding charges paid by online retail and professional clients less the fees paid by the Company in spread, commission and funding to its prime brokers arising from hedging the risk associated with the client trading activity.

*Sales Trading:* Spread, commission and funding charges paid by professional clients who primarily rely on telephone-based execution less the fees paid by the Company in spread, commission, and funding to its prime brokers arising from hedging the risk associated with the client trading activity.

*Corporate Broking:* Commissions and fees paid by listed corporate clients for secondary placements, promotions and corporate broker services.

### 2021 Performance

The Company made good progress with its strategic and operational improvement initiatives during the year.

First, the Company commenced a phase of development and growth with the aim to transform into a more diverse financial services company along the lines of a Neobank. This phase has led to significant investment, primarily into the Company's technology and infrastructure including improved control and monitoring systems that will help support the Company and its sister Companies to scale in the future. This has led to a large increase in headcount, focused in the Company's technology, compliance and risk departments. As a result, there was a 28% increase in full-time employee staff costs compared to 2020 and a 27% increase in amortisation costs of its fixed assets and intangibles. The investment into people during 2021 resulted in an increase in the headcount of full-time employees to 126 from 97.

Second, the Company invested in a team of quantitative analysts who have made significant improvements to the optimisation of the Company's hedging strategy. Their focus has been to maximise revenue whilst ensuring the volatility of returns is within the Board's risk appetite. The Company's quantitative testing and revised hedging strategy has led to significantly reduced market risk limits in 2021 and will allow the Firm to capture more client spread revenue, whilst also exhibiting a higher Sharpe ratio (a measure of risk-adjusted return).

Third, due to Brexit the Company migrated its European clients to a European Group entity. Service agreements between the sister companies enable the Company to provide the European entity with much of its back-office service needs including technology and hedging liquidity.

Fourth, on May 13, 2021, the Company entered into an asset sale agreement to acquire the Technology, IP, Domains of Oval Money. The newly acquired assets of Oval Money will support clients in establishing savings and payment accounts through the Company's relationships with regulated E-Money Institutions. In addition, the technology enables clients to create defined rules to automatically facilitate their savings and investment goals by linking existing bank accounts, and to make payments and track spending through the user's physical or virtual debit card. These new services will complement the Company's current service offering and is anticipated that this will result in an acceleration of client growth, increased client engagement and lifetime, as well as opening the way to offering a new range of investment products to a broader spectrum of users when fully launched in 2022.

## Strategic Report

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The Company recorded total net operating income of £17.4m compared to £21.3m in 2020, this was an anticipated reduction as a result of less volatile market conditions, migration of EU clients to a sister Company due to Brexit, and termination of certain tied agents which did not align with Company strategy. Despite these factors, the Company increased its number of registered clients by 16% to 16,582 from 14,354. As in previous years, the Company's revenue continued to be driven by three main constituents: spread revenue representing the commission the Company makes on every trade; funding where the Company charges its clients for holding overnight positions; and the net impact of hedging. The Company's spread revenues were down 45% year on year (noting the unprecedented Covid driven volatility in H1 2020) but only down 10% compared to pre-pandemic levels (2019). On the contrary, the Company's funding revenues were up 39% year on year (and up 53% on pre-pandemic levels) partly driven by a strong performance from the Company's professional client base.

The Company's Corporate Broking revenues continued to grow in strength, demonstrating commission revenue growth of 37% from £1.1m to £1.5m. The Directors expect this line of business to continue to grow in 2022 and beyond.

Regardless of the reduction in retained earnings in 2021, as result of the share issuances during the year, the Company's total net assets increased by £0.9m to £18.6m from £17.7m (the Group net assets increased to £18.4m from £17.5m).

As in previous years, the main acquisition costs impacting the business consisted of introducing broker fees, marketing costs and sales commissions. Administration costs increased by 29%, to £26.6m from £20.7m to driven by increases in staff costs.

As a result, the Group EBITDA was a £6.4m loss compared to a £2.8m EBITDA profit in 2020. Similarly, PAT was a £6.9m loss compared to a £0.4m profit in 2020.

### 2022 strategy

The outlook for 2022 continues to be focused on investment in the firm's technology, infrastructure and brand as well as merging the Oval & Monecor products in which the Directors anticipate improved operational efficiencies, increases in client activity rates and an increase in the Company's revenues from a wider range of revenue streams that the new platform offers. The Company intends to rebrand as Oval Money to allow clients to identify with one unique brand.

The strategy has and is fully supported by the Company's shareholders who have invested significant capital in the Company during 2021 to drive the business' strategic initiatives. The shareholders will continue to support the Company through its continued phase of development and growth.

### Subsequent Events

The Company issued 30,000,000 new "A" class ordinary shares of £0.041 each, with a premium of £0.059 per share on 7 March 2022. As a result, share capital increased by £1,230,000 and share premium increased by £1,770,000.

### Risk Environment

The Company operates in a fast evolving, regulated environment where client satisfaction in all aspects of service delivery is key to success. The risk environment is characterised as the failure to

## Strategic Report

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deliver the services the clients require in a compliant manner. The main risk areas identified by the Directors are summarised below:

**Market risk:** This risk arises where positions are not fully hedged. Professional, institutional and large online retail clients' positions are hedged immediately. The Company maintains a number of hedging lines with financial institutions (Prime Brokers) to execute these hedges and ensures that it does not become overly reliant on one Prime Broker.

The Company operates a model where not all retail client's positions are hedged, and the Company takes on principal exposure. The Board has set risk limits for each of the main asset classes in which it transacts and sub risk limits for the underlying instruments in that class. The Company's risk management systems allow monitoring of its exposures in real time to enable the Company to hedge as agreed risk limits are approached. Almost all hedging is undertaken with major international investment banks acting as the company's Prime Brokers. These limits are regularly reviewed by the Company.

**Liquidity risk:** This risk arises if the Company fails to meet its payments to Prime Brokers, clients or suppliers as they fall due. Retail customer monies are segregated in client money accounts in accordance with the FCA rules on Clients Assets and are held off balance sheet. The Company actively manages its liquidity by maintaining adequate liquid assets and closely monitoring cash absorption. The Company has developed a recovery plan which has identified a number of leading indicators for risks or threats and a series of corrective steps that can deliver a significant amount of liquidity should it be required.

**Credit risk:** This risk arises if a counterparty, whether a financial institution or a customer, defaults on their contractual obligations, resulting in a financial loss to the Company. Whilst financial counterparty credit risk is inherent to the business model the Company operates, the Company seeks to mitigate its risk by only using institutions with good credit ratings and it avoids concentration by maintaining relationships with a number of banks and Prime Brokers.

In respect of client credit risk, the Company ensures that it obtains sufficient cash collateral to mitigate its risk from financial loss as a result of default. If a customer fails to deliver sufficient collateral, the Company will close the exposure in a timely manner. The Company has acknowledged the increased risk of clients defaulting in periods of high volatility and has heightened monitoring in place to review every client's portfolio. The Directors believe that the controls the Company has put in place reduce credit risk to a low level.

**Systems risk:** This risk arises from the Company's reliance on systems to deliver its customer service. The Company continues to evaluate the robustness and functionality of third-party software and, where appropriate, bring the services in house. Following the acquisition of Ariel, the supplier of the Company's main trading platform in 2014, the Company has continued to develop the infrastructure and functionality around this platform. The Company is aware that cyber-attacks continue to become increasingly more sophisticated and continues to invest in preventative measures.

**Internal control risk:** This risk arises from the potential for gaps or weaknesses in any system of internal controls to permit error or fraud to occur and cause consequential losses for the Company.

## Strategic Report

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The Company mitigates this risk in general by ensuring that Policies and Procedures are comprehensive and clearly documented and that adherence is periodically tested. The Company has engaged an external accounting firm to carry out internal audit control reviews in key areas such as governance, client assets, dealing and information technology.

**Regulatory risk:** This risk arises if the Company does not comply with the range of regulations and its licence obligations. The Company is exposed to law and regulation changes in several areas, including tax treatment, stamp duty, leverage limits, betting duty, reporting and disclosure requirements, short selling restrictions and financial promotion rules. The Company continues to make significant investment in compliance and legal resources to address these risks. The Company believes that its in-house professional teams and external advisors ensure that the Company addresses these regulatory issues before they can crystallise risk to the Company.

**Geo-political risk:** This risk arises from the change in a country's relations with another country or Group of countries. The UK exit from the European Union at the end of 2020 is a good example of geo-political risk which has had implications for the way the firm transacts with clients in the EU 27 following the cessation of product and service passporting. The Group ensured this risk was mitigated through the setup of sister entities that were allowed to transact with these clients.

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

*Philip Adler*

**Philip Adler**  
Chief Executive Officer  
27 April 2022

## Directors' Report

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The Directors present their annual report, the financial statements and the auditor's report for the Group and Company for the year ended 31 December 2021.

The Group has chosen in accordance with the Companies Act 2006, s.414C(11) to set out in the Group's Strategic Report on pages 2-6, information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the Directors' Report. It has done so in respect of information on the principal risks of the Group and Company, including those in relation to financial instruments, and the future development of the Group's business.

### Executive Directors

P Adler  
L Merolla  
R Nettles

### Non-Executive Directors

S Bird  
S Sharma  
J Wilson

All directors served throughout the year except where noted above.

### Results and dividends

The loss for the year after taxation, amounted to £6,864k (2020 profit: £428k) as shown in the Group Income Statement on page 14.

The Directors do not propose a dividend for the year (2020: £nil).

During 2021, the shareholders injected £7,813k of capital (2020: £3,259k) (note 21).

### Going concern

With recent and ongoing economic conditions and uncertainties, the directors have given particular and careful consideration in order to satisfy themselves that it is reasonable and appropriate to prepare the financial statements on a going concern basis. The directors' assessment of the Group and Company in respect of going concern and liquidity risk has been based on an analysis of a number of business aspects. Those aspects included:

- Coronavirus (COVID-19) and the effects, including scenario stress testing;
- Strategic expansion of the Group;
- Profit and cash flow;
- Liquidity management;
- Continuous shareholder support;
- Regulatory capital;
- Liability management;
- Contingent liabilities;
- Evolving regulatory environment;
- Products and markets;
- Financial risk management; and
- Other factors and financial adaptability.

Having taken all the above considerations into account, the directors are of the opinion that as of the date of these accounts, the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.



## Directors' Report

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### Subsequent events

The Company issued 30,000,000 new "A" class ordinary shares of £0.041 each, with a premium of £0.059 per share on 7 March 2022. As a result, share capital increased by £1,230,000 and share premium increased by £1,770,000.

The Company has assessed the impact of the ongoing conflict in Ukraine and has concluded that no incidents or losses of note have occurred.

There have been no other reportable events between 31 December 2021 and the signing date of these financial statements.

### Non-UK Branch

An overseas branch was set up on 15 November 2021 in Italy. The principal activity of the branch is IT development.

### Insurance and indemnities

The Company pays for liability insurance for all directors and officers.

### Donations

The Company made no political donations in the year ended 31 December 2021 (year ended 31 December 2020: £nil). The Company made charitable donations of £7,900 (2020: £nil).

### Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

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

*Philip Adler*

**Philip Adler**  
Chief Executive Officer  
27 April 2022

## Directors' Responsibilities

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### Directors' Responsibility Statement

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 group and company financial statements for each financial year. The directors have elected under company law to prepare the group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The group and company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

# Independent Auditor's Report

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONECOR (LONDON) LIMITED

### Opinion

We have audited the financial statements of Monecor (London) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise of the Group Income Statement, Group and Company Statement of Financial Position, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Group and Company Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## Independent Auditor's Report

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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.

### **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 by exception**

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

### **Responsibilities of directors**

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

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

# Independent Auditor's Report

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## **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.

## **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the internal control environment.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are UK-adopted International Accounting Standards, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and inspecting correspondence with local tax authorities.

The most significant laws and regulations that have an indirect impact on the financial statements are the rules and principles set by the Financial Conduct Authority (FCA) as regulator for the financial

## Independent Auditor's Report

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services industry in the UK. We performed audit review procedures including inquiring of management and those charged with governance whether any instances of non-compliance have been noted in relation to these laws and regulations.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. We also tested platform data and daily reconciliation controls in respect of revenue recognition.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

*David Fenton*

David Fenton (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London, EC4A 4AB

Date 27/04/22

## Group Income Statement for the year ended 31 December 2021

Group	Notes	2021 £'000	2020 £'000
Trading revenue	7	24,165	31,764
Interest (expense)/income on segregated client funds	7	(3)	37
<b>Total revenue</b>		<b>24,162</b>	<b>31,801</b>
Commissions and rebates		(6,783)	(10,512)
<b>Net operating income</b>		<b>17,379</b>	<b>21,289</b>
Administrative expenses	8	(26,604)	(20,694)
<b>Operating (loss)/profit</b>		<b>(9,225)</b>	<b>595</b>
Finance income	10	6	115
Finance costs	11	(485)	(424)
<b>(Loss)/profit before taxation</b>		<b>(9,704)</b>	<b>286</b>
Taxation credit	12	2,840	142
<b>(Loss)/profit for the year attributable to owners of the parent</b>		<b>(6,864)</b>	<b>428</b>

All amounts relate to continuing operations.

There were no items of other comprehensive income or loss for 2021 or 2020 other than those included in the Group Income Statement.

The notes on pages 18 to 47 form part of these Financial Statements

## Statement of Financial Position as at 31 December 2021

	Notes	Group		Company	
		As at 31 December		As at 31 December	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	2,035	2,839	2,160	2,964
Intangible assets	14	6,516	4,169	4,061	1,714
Investment in subsidiary	15	-	-	3,321	3,321
Deferred tax asset	18	4,217	1,376	4,215	1,357
<b>Total non-current assets</b>		<b>12,768</b>	<b>8,384</b>	<b>13,757</b>	<b>9,356</b>
<b>Current assets</b>					
Trade and other receivables	16	65,167	39,560	65,166	39,559
Financial instruments	17	60,093	122,849	60,093	122,849
Cash and cash equivalents	19	33,771	40,231	33,737	40,197
<b>Total current assets</b>		<b>159,031</b>	<b>202,640</b>	<b>158,996</b>	<b>202,605</b>
<b>TOTAL ASSETS</b>		<b>171,799</b>	<b>211,024</b>	<b>172,753</b>	<b>211,961</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liability		773	1,526	773	1,526
Dilapidation Provision		50	50	50	50
<b>Total non-current liabilities</b>		<b>823</b>	<b>1,576</b>	<b>823</b>	<b>1,576</b>
<b>Current liabilities</b>					
Lease liability		445	348	445	348
Trade and other payables	20	152,111	191,629	152,869	192,387
Income tax payable		4	4	4	4
<b>Total current liabilities</b>		<b>152,560</b>	<b>191,981</b>	<b>153,318</b>	<b>192,739</b>
<b>TOTAL LIABILITIES</b>		<b>153,383</b>	<b>193,557</b>	<b>154,141</b>	<b>194,315</b>
<b>EQUITY</b>					
<b>Equity attributable to the owners</b>					
Share capital	21	18,757	15,554	18,757	15,554
Share premium		11,416	6,806	11,416	6,806
Retained earnings		(11,757)	(4,893)	(11,561)	(4,714)
<b>TOTAL EQUITY</b>		<b>18,416</b>	<b>17,467</b>	<b>18,612</b>	<b>17,646</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>171,799</b>	<b>211,024</b>	<b>172,753</b>	<b>211,961</b>

The Company's loss after tax was £6,847k (2020: £426k profit).

The Financial Statements were approved by the Board on 27 April 2022 and signed on its behalf by:

*Philip Adler*

**Philip Adler**  
Chief Executive Officer

Registered Number: 00851820

The notes on pages 18 to 47 form part of these Financial Statements.



## Statement of Changes in Equity for the year ended 31 December 2021

Group	Notes	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Equity £'000
At 01 January 2020		14,218	4,883	(5,321)	13,780
Issue of Share Capital	21	1,336	1,923	-	3,259
Total comprehensive income for the year		-	-	428	428
At 31 December 2020		15,554	6,806	(4,893)	17,467
Issue of Share Capital	21	3,203	4,610	-	7,813
Total comprehensive expense for the year		-	-	(6,864)	(6,864)
At 31 December 2021		18,757	11,416	(11,757)	18,416

Company	Notes	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Equity £'000
At 01 January 2020		14,218	4,883	(5,140)	13,961
Issue of Share Capital	21	1,336	1,923	-	3,259
Total comprehensive income for the year		-	-	426	426
At 31 December 2020		15,554	6,806	(4,714)	17,646
Issue of Share Capital	21	3,203	4,610	-	7,813
Total comprehensive expense for the year		-	-	(6,847)	(6,847)
At 31 December 2021		18,757	11,416	(11,561)	18,612

Share capital refers to the funds that the Company has raised in exchange for issuing an ownership interest in the Company in the form of shares.

Share premium is the amount over and above par value paid on the subscription of these shares.

Retained earnings are the accumulated net (loss)/profit of the Company.

The notes on pages 18 to 47 form part of these Financial Statements.

## Statement of Cash Flows for the year ended 31 December 2021

	Notes	Group		Company	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Operating (loss)/profit		(9,225)	595	(9,225)	595
Adjustments:					
Depreciation	13	1,149	1,004	1,149	1,004
Amortisation	14	1,672	1,221	1,672	1,221
Impairment		-	-	-	-
Decrease/(increase) in trade and other receivables		37,148	(78,416)	37,148	(78,431)
(Decrease)/increase in trade and other payables		(39,518)	92,634	(39,518)	92,648
Cash generated from operations:		(8,774)	17,038	(8,774)	17,037
Income tax paid		-	-	-	-
<b>Net cash (used in)/from operating activities</b>		<b>(8,774)</b>	<b>17,038</b>	<b>(8,774)</b>	<b>17,037</b>
<b>Cash flows from investing activities</b>					
Interest received	10	6	115	6	115
Dividends received	23	-	-	-	-
Acquisition of property, plant and equipment	13	(345)	(848)	(345)	(848)
Acquisition of intangibles	14	(4,019)	(1,183)	(4,019)	(1,183)
<b>Net cash used in investing activities</b>		<b>(4,358)</b>	<b>(1,916)</b>	<b>(4,358)</b>	<b>(1,916)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issuance of ordinary shares	21	7,813	3,259	7,813	3,259
Lease liabilities		(763)	(574)	(763)	(574)
Interest paid	11	(378)	(259)	(378)	(259)
<b>Net cash from/(used in) financing activities</b>		<b>6,672</b>	<b>2,426</b>	<b>6,672</b>	<b>2,426</b>
Net (decrease)/increase in cash and cash equivalents		(6,460)	17,547	(6,460)	17,547
Cash and cash equivalents at the beginning of the year	19	40,231	22,684	40,197	22,650
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	<b>33,771</b>	<b>40,231</b>	<b>33,737</b>	<b>40,197</b>

The notes on pages 18 to 47 form part of these Financial Statements.

# Notes to the Financial Statements for the year ended 31 December 2021

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## 1 GENERAL INFORMATION

### Corporate Information

Monecor (London) Limited, (the “Company”), is incorporated England and Wales under the Companies Act. The address of the registered office is 26 Finsbury Square, London, EC2A 1DS. The consolidated financial statements are presented as at 31 December 2021 and comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The principal activities of the Group are primarily the provision of online retail trading financial services. This and the nature of the Group’s operations are set out in page 3 and the Strategic Report.

### Functional Currency

These consolidated financial statements are presented in Sterling, which is the Group’s functional currency. Foreign currency transactions are included in accordance with the policies set out in note 3.

## 2 BASIS OF PREPARATION

### 2.1 Basis of accounting

The Group and Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments (assets and liabilities) which are measured at Fair Value Through Profit and Loss (“FVTPL”).

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Full consideration during the going concern assessment was given to the coronavirus (COVID-19) pandemic, the effect it has had on global financial markets and the effects on the Group and Company through scenario stress testing and sensitivity analysis. In concluding on going concern the directors have taken into account the future strategic developments in the business and the requirements for further investment, including the projections supporting the strategy and stress testing for a period in excess of twelve months from the date of approval of the financial statements and based on that, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Details of the Group’s accounting policies are included in note 3.

### 2.2 Changes in accounting policy and disclosures

#### New accounting standards issued but not yet effective

At the date of authorisation of the Financial Statements, the following new Standards and Interpretations relevant to the company were in issue but not yet effective and have not been applied to the financial statements:

## Notes to the Financial Statements for the year ended 31 December 2021

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- **Amendments to IFRS 3 *Business Combinations***

The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- **IAS 16 *Property, Plant and Equipment***

The amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

- **IAS 37 *Provisions; Contingent Liabilities and Contingent Assets***

The amendments specify which costs a company includes when assessing whether a contract will be loss-making.

- **Annual Improvements 2018-2020 (All issued 14 May 2020)**

The improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

All amendments are effective for annual periods beginning on or after 1 January 2022, except for the amendment to IFRS 16 for which no effective date is stated as it regards only an illustrative example.

The Group is in the process of assessing the full impact on the consolidated financial statements of these new accounting standards that are in issue but not yet effective.

### 2.3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the reported amounts of assets and liabilities, income and expenses 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.

#### Key sources of estimation uncertainty

##### Impairment of goodwill and other assets

The Group undertakes an annual review on whether any of its assets have suffered impairment. Assets that are subject to amortisation or depreciation, and goodwill, are reviewed to assess whether their carrying values may not be recoverable. Goodwill is allocated to cash generating units ('CGU') identified by the directors. If it is considered that the estimated recoverable value of a CGU (higher of fair value less costs to sell and value in use) is less than the carrying value, an impairment loss is recognised. Details of the impairment of intangibles and investments are provided in notes 14 and 15.

##### Impairment of trade receivables

The amounts owed by customers are regularly reviewed by the Group. The recoverability of these amounts is dependent on the Group's ability to collect the balances due. The directors have provided for these debts where it is considered that there is a risk of non-recovery (note 16).

##### Fair valuation of financial instruments

The Group holds financial instruments on the Statement of Financial Position that have been valued at fair value. Details of these assets and liabilities and the method of valuation used are provided in note 17.

## Notes to the Financial Statements for the year ended 31 December 2021

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### Right-of-use asset and lease incentive calculation

The Group has applied certain judgements and estimations in line with calculating the right-of-use asset and according lease liability, inclusive of lease incentives, under IFRS 16; the Group has chosen not to exercise a break clause. Management considers all facts and circumstances including their past practice and any rent-free period that will be entered into, to help them determine the lease liability. Details of the assets and liabilities are provided in notes 13 and 17.

### Deferred tax asset recognition

The Group has applied certain judgements with regard to the recognition of deferred tax assets, particularly in respect of tax losses and tax credits, based upon whether it is probable that there will be sufficient and suitable taxable profits in the Group against which to utilise the assets in the future.

The strategic investment being undertaken by the Group puts the Company in a position to generate profit in future years. Significant growth in revenues is anticipated in the Company's forecasts as a result of the investment. Management therefore believe that the Group will have sufficient taxable profits to utilise the unused tax losses before they are due to expire and hence have recognised the deferred tax asset in full. Details of the asset recognised are to be found in notes 12 and 18.

### Income taxes

The Group is subject to corporation tax in the United Kingdom. The calculation of the tax charge is subject to a degree of judgement, as the tax treatment of certain balances cannot be determined until resolution with the relevant tax authorities has been met. As a result, the Group has provided for potential tax liabilities using estimates that are subject to amendment in the period that the final income tax and deferred tax provisions are concluded (note 18).

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and the subsidiaries that it controls. Subsidiaries are consolidated from the date of their acquisition (being the date of control) and continue to be consolidated until the date that this control ceases. The financial statements of the subsidiary companies are prepared for the same reporting year as the Company and are based on consistent accounting policies. All inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

### 3.2 Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in the income statement.

### 3.3 Revenue recognition

Revenue comprises market-making profits earned from trading in contracts for difference and financial spread betting together with associated income and expenses derived from these financial instruments. The Corporate Brokerage team offers clients direct access to domestic and international IPOs, bookbuilds and secondary placings. Revenue is also derived from a white label profit-share agreement with affiliated company Monecor (Europe) Limited, as well as licensing revenue earned from Oval Marketplace, A.V, S.L.U.

## Notes to the Financial Statements for the year ended 31 December 2021

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Revenue is recognised in the Group's income statement when it is considered probable that the economic benefits associated with the transaction will flow to the Group and can be reliably measured. Depending on the type of revenue, the Company transfers control of a service, and recognises revenue, both over a period and at a point in time. Revenue is shown net of VAT and client rebates but gross of introducing partner commission which is recognised as an operating expense in arriving at net operating income.

Interest income earned from segregated client funds is recognised on an accruals basis within revenue, by reference to the principal outstanding and at the interest rate applicable.

### 3.4 Finance income and finance costs

The Group's finance income and finance costs are recognised on an accruals basis by reference to the principal amount charged at the effective rate of interest. Interest income on bank accounts holding segregated client funds is included within net revenue.

### 3.5 Taxation

The income tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is accounted for on all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences may be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply when the related asset is realised, or liability is settled. Deferred tax is charged or credited in the Group Income Statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recognised in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### 3.6 Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

## Notes to the Financial Statements for the year ended 31 December 2021

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### 3.7 Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the assets to a condition suitable for its intended use.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the Income Statement.

Depreciation is calculated to write off the cost or fair value, less estimated residual value of each asset on a straight-line basis over its expected useful life and is recognised in the Income Statement. Right-of-use assets are also depreciated on a straight-line basis. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- |                          |                     |
|--------------------------|---------------------|
| • Furniture and fixtures | 5 years             |
| • Computer equipment     | 4 years             |
| • Computer software      | 2 - 3 years         |
| • Right-of-use assets    | Over the lease term |

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and are then written down to the recoverable amount.

### 3.8 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's interest in identifiable assets, liabilities and contingent liabilities of a subsidiary, at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses.

### 3.9 Intangible assets

Acquired client lists and customer relationships are recognised as intangible assets at fair value if the assets are separable or arise from contractual or legal rights and the fair value can be reliably measured.

Software expenditure incurred on the development of the Group's trading, settlement and risk management systems is capitalised to the extent that the asset is expected to deliver future benefits at least as great as the amount capitalised.

Software development costs that are directly attributable to bringing a computer system or other computer operated machinery into working condition for its intended use within the business are treated as part of the cost of the related hardware rather than as a separate intangible asset.

Development expenditure is recognised as an intangible asset only after the following criteria are met:

- The project's technical feasibility and commercial viability can be demonstrated;
- The availability of adequate resources and an intention to complete the project have been confirmed;
- The correlation between development costs and future revenue has been established;
- The project will generate probable future economic benefits; and
- The Group is able to measure reliably the expenditure attributable to the asset during development.

Following initial recognition, intangibles are carried at cost less accumulated amortisation. Intangibles are amortised on a straight-line basis over their expected useful lives as follows:

- |   |         |
|---|---------|
| • Software Development                    | 3 years |
| • Client lists and customer relationships | 3 years |

## Notes to the Financial Statements for the year ended 31 December 2021

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### 3.10 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses in respect of goodwill are not reversed; for all other non-financial assets impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have existed, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.11 Trade receivables and trade payables

Trade receivables which have resulted from profit or loss on open positions, are held at fair value on the Statement of Financial Position.

Amounts due from or to brokers, classified as amortised cost, are netted against other assets or liabilities with the same counterparty when there is an intention, and a right, for the Group to settle on a net basis.

Amounts due to clients is a combination of the value of all derivative open positions that clients hold, and the cash balances held on account. As the Group has the right to settle on a net basis, the profit and loss incurred by clients is netted off against the balances held by clients. Amounts due from clients occurs when the combination of a client's open positions and their cash balance results in an amount due to the Group.

Trade receivable balances are reviewed regularly, and provisions are established where recoverability is uncertain.

### 3.12 Cash and cash equivalents

Cash and cash equivalents comprise of all current account balances and bank deposits. In accordance with IFRS accounting standards, the amounts held on behalf of clients and the related liabilities to these clients are not included on the balance sheet, as there is no beneficial entitlement to the Group.

The amount of segregated client funds held at the Statement of Financial Position date is disclosed in note 19.

### 3.13 Leases under IFRS 16

IFRS 16 'Leases' replaced IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. The standard is effective for annual periods beginning on or after 1 January 2019, with the Group choosing the cumulative catch-up application. The right-of-use asset and the lease liability was calculated from inception of the existing lease with the difference on transition recognised as an adjustment to opening retained earnings, as permitted.

*On initial application of IFRS 16, the Group has:*

- a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, measured at the present value of the future lease payments. The lease liability was calculated on an assumption that a break clause would not be exercised and thus is over the full lease term, inclusive of the impact of any lease incentives;
- b) Recognised depreciation on right-of-use assets and interest on lease liabilities in the consolidated income statement.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaced the previous requirement to recognise a provision for onerous lease contracts. The company has taken advantage of the practical expedient to not apply the standard to short term leases lease term of less than 12 months.



## Notes to the Financial Statements for the year ended 31 December 2021

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The Company has two property leases captured under IFRS 16 and has applied one incremental borrowing rate (IBR) to both properties. The weighted average IBR applied to the lease liabilities at the date of initial application is 7.25%.

### Subsequent measurement of the right-of-use asset:

After the commencement date, the Group measures its right-of-use asset using a cost model (cost less accumulated depreciation and accumulated impairment).

### Subsequent measurement of the lease liability:

After the commencement date, the Group measures a lease liability:

- a) increasing the carrying amount to reflect the interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) measuring the carrying amount again to reflect the new measurements or changes in the lease and also to reflect the in-substance fixed lease payments that have been reviewed.

## **3.14 Employee benefits**

### **Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as the result of past service provided by the employee and the obligation can be estimated reliably.

### **Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### **Termination benefits**

Termination benefits are payable when an employment contract is terminated by the Group. The Group recognises termination benefits where an offer is irrevocable.

## **3.15 Financial instruments**

### **Financial assets**

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting year. Loans and receivables are recognised initially at cost, being the fair value of the consideration together with any associated issue costs. Subsequent measurement is at amortised cost using the effective interest method, less provision for impairment.

The Group's loans and receivables comprise "trade and other receivables" (note 16), "amounts due from brokers" and "cash and cash equivalents" (note 19) in the statement of financial position.

#### **Derivative financial instruments**

Financial instruments relate to exchange, non-exchange traded investments and derivative financial instruments such as financial spread betting contracts and contracts for difference.

## Notes to the Financial Statements for the year ended 31 December 2021

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The financial instruments are initially measured at fair value. The Company determines the classification of financial assets and liabilities at initial recognition and re-evaluates this designation at each financial year end where applicable.

The Company uses derivative financial instruments in order to hedge exposures resulting from derivatives contracts with clients.

### 4 FINANCIAL RISK MANAGEMENT

The Group's approach to the assessment of risk and to the control and monitoring of risk assumed in the course of its activities are documented in the Group's Board approved risk policies. The Board and the Risk Committee of the Board maintain a continuous review of the following primary risk documents:

- Risk Appetite Policy;
- Enterprise Risk Management Framework Policy;
- Internal Capital Adequacy Assessment Process ("ICAAP");
- Market Risk Policy;
- Operational Risk Policy;
- Credit Risk Policy;
- Waived Margin and Credit Allocation Policy;
- Order Execution Policy;
- Trading Risk Policy.

The Board has set risk limits for all aspects of its activities to ensure that the tolerated levels of risk defined in the Risk Appetite Policy are not breached.

The risk management structure across the Group is integrated at all levels, following the 3 Lines of Defence model. Ownership is assigned for all identified risks and controls, with the 2nd line of defence (risk and compliance) challenging the 1st line when assessing control effectiveness.

The Group conducts its ICAAP in accordance with FCA guidelines. A key purpose of the review is to ensure that the Board has a clear understanding of the risks faced by the Group, how the risks are mitigated and how much capital is required to support the business. The ICAAP documents the controls that are appropriate for the levels and types of risk the Group faces.

The Group classifies risks into the following risk types, some of which are reviewed in more detail below:

- Market risk;
- Credit risk;
- Operational risk;
- Liquidity risk;
- Business risk;
- Concentration risk;
- Group risk.

#### i) Market risk

Market risk is the risk that the Group suffers financial losses due to adverse price movements. The Group's market risk arises primarily from the positions taken by its clients, to which the Group acts as principal. It also arises to a lesser extent from the Group's structural exposures to foreign currency rates, as well as to interest rates.

Market risk is managed by:

## Notes to the Financial Statements for the year ended 31 December 2021

- Adherence to the Board's market risk appetite which set an acceptable level of variation in the annual returns of the trading book. Hard position limits are defined from the asset class level down to the instrument level to ensure the risk tolerance is not exceeded;
- Transactional risk management systems which allow monitoring of exposure to all instruments real time, enabling the Group to hedge as position limits are breached;
- Monitoring and hedging of client activity across asset classes: indices, equities, commodities, crypto-currencies, bonds and interest rates, as well as per currency. A detailed substructure of limits is also maintained within these groups of markets.

### Market price risk

This is the risk that the fair value of financial instruments fluctuates due to changes in market prices. The Group's net position in its trading book reflects a significant natural hedge, as individual buying and selling clients take opposing trading positions. When net client positions exceed pre-determined limit levels, the Group will hedge its exposure in the market. The most significant market price risk faced by the Group is across the index asset class, which accounts for approximately 75% of the client volume traded.

While the Board has approved maximum absolute risk limits per asset class and currency, these limits can be reduced by the Chief Risk Officer in response to market conditions. However, there are no circumstances in which the risk limits can be increased above the maximum limit, unless agreed by the Board.

### Structural currency risk

The Group's structural currency risk arises primarily due to profits or losses accumulated in foreign currency. As the Group does not take a directional view on such exposures and does not want significant exposure to FX market volatility, the corresponding structural currency risk limits are small. The Group reduces this risk by actively converting foreign currency balances to sterling at regular intervals. As such, the financial effect of large changes in foreign exchange rates is not material and a rate sensitivity analysis is not presented.

### Structural interest rate risk (non-trading book)

The Group has interest rate risk in non-trading book financial assets which are not held at FVTPL; these exposures are not hedged by the Group. Such non-trading book assets earn interest at fixed or floating rates and these exposures to the Group are set out in the table below. The balances include segregated client accounts and client money at banks:

	2021	2020
Group	£'000	£'000
<b>Floating interest rate exposure</b>		
Trade and other receivables - amounts due from brokers	47,671	21,203
Cash and cash equivalents	33,771	40,231
<b>Fixed interest rate exposure</b>		
Financial instruments - non-exchange traded	-	-
<b>Total interest rate exposure</b>	<b>81,442</b>	<b>61,434</b>

All assets and liabilities have a repricing maturity of less than one year. Sensitivity analysis has not been presented, as the impact of possible market movements on the Group's revenue is considered to be immaterial.

## Notes to the Financial Statements for the year ended 31 December 2021

### ii) Credit risk

Credit risk refers to the risk that a counterparty, including its clients, could default on its contractual obligations resulting in financial loss to the Group. The source of credit risk for the Group comes from either financial institutions or from individual clients, where a sudden move in the market could create mark-to-market losses in excess of margin held or in some cases, where trading losses are realised.

#### Institutional counterparty credit risk

Institutional counterparty credit risk is inherent in the business model as the Group manages its risk exposure by hedging excess risk with counterparties. The main conduits for these transactions are the prime broker relationships the Group maintains with a number of financial institutions.

In order to mitigate the risk of a counterparty defaulting on its contractual obligation, a credit risk assessment is performed on financial institutions when a new relationship is established. This assessment is reviewed frequently. The Group has defined concentration limits for individual financial institutions to avoid over-reliance on a single counterparty. There have been no significant, widespread increases in credit risk to financial institutions in 2021.

The Group is responsible for the stewardship of client money, in addition to its own money, which gives rise to the requirement to handle and at time hold substantial cash balances. This creates credit exposure to the banking sector. As a result, the Group's policy is that all financial institutions holding client money accounts must have a credit rating of at least BBB-. All counterparties are monitored with set concentration limits ensuring exposures are maintained below the appropriate threshold.

These criteria also apply to The Group's own bank accounts.

The table below presents the collateral of the Group's maximum exposure to financial institutions based on their credit rating:

	2021		2020	
	Cash and cash equivalents £'000	Amounts due from brokers £'000	Cash and cash equivalents £'000	Amounts due from brokers £'000
<b>Group</b>				
A+ to A-	33,579	21,104	40,212	4,475
BBB+ to BBB-	2	14,012	18	16,696
Unrated	190	12,555	1	29
	<b>33,771</b>	<b>47,671</b>	<b>40,231</b>	<b>21,200</b>

#### Client counterparty credit risk

The Group's risk management framework ensures that it obtains sufficient cash collateral to mitigate the risk of financial loss from defaults by professional clients.

The Group actively seeks to minimise its retail credit risk and will close exposures in timely fashion. Real-time revaluations of the Group's client portfolios are undertaken to determine each client's net exposure to the Group, coupled with real-time stress tests applied to each individual client and the Group's portfolio as a whole. Accounts which have insufficient margin available to maintain open positions are either required to provide additional funds or have their positions reduced or closed. In this way, client overtrading is prevented. Collateral held as margin to support client positions was £116.5m as at year ended 31 December 2021 (at year ended 31 December 2020: £169.9m).

A provision for expected credit losses of certain receivables is included in administrative expenses in the Group's Income Statement. For receivables less than £5k, a default is recognised and 100% is provided for where there has been 3 months since the last trade and the client is outside of the UK.

## Notes to the Financial Statements for the year ended 31 December 2021

For UK clients the same applies but where there has been 6 months since the last trade. Receivables greater than £5k are assessed individually taking several factors into consideration.

The Directors are of the opinion that none of the financial assets of the Group are past due or impaired further than the provision and that the carrying amount best represents the maximum exposure. The table below shows the loss allowance measured at an amount equal to the lifetime expected credit losses of trade receivables:

Group	2021 £'000	2020 £'000
Brought forward provision	1,424	875
Gross charge for the year	112	481
Trade receivables written off	(157)	68
Carried forward provision	<u>1,379</u>	<u>1,424</u>

### iii) Liquidity risk

Liquidity risk represents the Company's inability to meet its payments to brokers, clients or suppliers when they become due. Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework. The Company manages liquidity risk by maintaining adequate reserves and by monitoring forecast and actual cash flows.

Liquidity risk is most prevalent for the Group where individual retail clients in aggregate, create substantial positions which the Group's risk appetite and policies require it to hedge. The Firm operates in an arena where daily settlement of liabilities is critical to its continued participation in the market; failure to meet a margin call at one of its prime brokers could lead to the withdrawal of its trading facilities. As a result, the Group ensures that at all times it maintains liquidity resources which are adequate, both in amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

The Group believes that only freely available deposits at banks and financial institutions provide the quality of liquidity to meet this criterion and that holdings of securities would not be of appropriate quality to be used to mitigate the risks; indeed, the Group believes that holding securities would increase the exposure to liquidity risk.

The Group has implemented liquidity risk mitigation tools, including daily management information on key sources of funding. In addition, the Group has developed a recovery plan which has identified a significant number of indicators for the risks or threats and a series of corrective actions that deliver a significant amount of liquidity should it be required.

The majority of the business, customer facing and prime brokering, is conducted with daily rolling contracts which crystallise into cash immediately and are net settled. For several of the Group's prime brokers, hedges are settled via swaps, on a net basis, monthly.

As all monies from retail customers have to be segregated, the Company is required to self-fund any margin paid to its Prime Brokers should it require to hedge an element of its retail positions. The Company monitors those customers who are impacting its liquidity on a daily basis. The following table shows a maturity analysis of the Group's financial assets and financial liabilities (please see note 17 which refers to lease liability maturity):

## Notes to the Financial Statements for the year ended 31 December 2021

Group	2021			Total £'000
	Payable on demand £'000	Less than three £'000	Between three and six months £'000	
<b>Financial Assets</b>				
Cash and cash equivalents	33,771	-	-	<b>33,771</b>
Trade receivables - amounts due from brokers	61,575	-	-	<b>61,575</b>
Trade receivables - amounts due from clients	604	-	-	<b>604</b>
Other receivables	2,988	-	-	<b>2,988</b>
Financial instruments - non-exchange traded	-	5,617	-	<b>5,617</b>
Financial instruments - exchange traded	54,476	-	-	<b>54,476</b>
	<b>153,414</b>	<b>5,617</b>	<b>-</b>	<b>159,031</b>
<b>Financial Liabilities*</b>				
Trade payables - amounts due to clients	142,951	-	-	<b>142,951</b>
Trade and other payables - other	3,230	-	-	<b>3,230</b>
Amounts due to affiliated companies	5,930	-	-	<b>5,930</b>
	<b>152,111</b>	<b>-</b>	<b>-</b>	<b>152,111</b>
<b>Net Liquidity</b>	<b>1,303</b>	<b>5,617</b>	<b>-</b>	<b>6,920</b>

\*See note 17 for lease liability maturity.

Group	2020			Total £'000
	Payable on demand £'000	Less than three months £'000	Between three and six months £'000	
<b>Financial Assets</b>				
Cash and cash equivalents	40,231	-	-	<b>40,231</b>
Trade receivables - amounts due from brokers	36,463	-	-	<b>36,463</b>
Trade receivables - amounts due from clients	629	-	-	<b>629</b>
Other receivables	2,468	-	-	<b>2,468</b>
Financial instruments - non-exchange traded	-	1,109	-	<b>1,109</b>
Financial instruments - exchange traded	121,740	-	-	<b>121,740</b>
	<b>201,531</b>	<b>1,109</b>	<b>-</b>	<b>202,640</b>
<b>Financial Liabilities</b>				
Trade payables - amounts due to clients	188,497	-	-	<b>188,497</b>
Trade and other payables - other	3,132	-	-	<b>3,132</b>
	<b>191,629</b>	<b>-</b>	<b>-</b>	<b>191,629</b>
<b>Net Liquidity</b>	<b>9,902</b>	<b>1,109</b>	<b>-</b>	<b>11,011</b>

The Board considers that this level of liquidity and the control procedures are sufficient to meet its liquidity requirements with sufficient buffer to cope with any reasonable stress event.

## Notes to the Financial Statements for the year ended 31 December 2021

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### IFPR and the ICARA

On the 1<sup>st</sup> January 2022, the new Investment Firms Prudential Regime came into force for MiFID investment firms.

The FCA have stated that IFPR aims to streamline and simplify prudential requirements for MiFID investment firms, refocusing prudential requirements and expectations away from the risks firms face themselves, to also consider potential “harms” firms pose to clients and markets as a whole.

The key document under this new regime is the Internal Capital And Risk Assessment (ICARA), which replaces the ICAAP. While there are some common sections in both the ICARA and the ICAAP, there are also some important differences:

1. Pillar 1 capital requirement is now replaced by K-Factor requirements. The previous quantitative approach of calculating market, credit and operational risk requirements are no longer relevant. Instead, the K-Factors are split into 3 categories:
  - Risk-to-Client
  - Risk-to-Market
  - Risk-to-Firm

The K-Factors applicable to the Group are:

- K-CMH (Client Money Held)
  - K-NPR (Net Position Requirement)
  - K-TCD (Trading Counterparty Default)
  - K-DTF (Daily Trading Flow)
  - K-CON (Concentration)
2. Pillar 2 capital requirements and the firm’s Internal Capital Guidance (ICG) will be replaced by an additional own funds requirement. The required amount of additional own funds is determined by the Firm and held to cover the impact of harms that themselves cannot be assigned to the K-Factors.
  3. Under IFPR, all firms are subject to liquidity requirements which are now assessed in the ICARA, rather than separately via the ILAA. The minimum liquidity requirement is set at one month’s fixed overheads, plus 1.6% of any guarantees provided to clients.
  4. Recovery planning and wind-down planning now form a compulsory part of the ICARA. Firms should identify appropriate recovery actions to avoid a breach of the Overall Financial Adequacy Rule. Furthermore, the wind-down trigger which is calculated by the firm both in terms of own funds and liquidity, now forms a hard floor below which the firm is expected to immediately commence wind down.

## 5 CAPITAL MANAGEMENT

For regulatory purposes, all of the Company’s business in the UK is subject to supervision by the FCA. The Company is also supervised by the Danish and Czech regulators for the conduct of business aspects of the Group’s tied-agents in those countries.

The Group manages capital adequacy through its regulatory capital management policy and seeks to ensure that at all times it holds sufficient capital to operate its business successfully and to meet regulatory requirements. The Group manages its capital resources with the objective of facilitating business growth, seeking to maximise returns to shareholders and complying with the regulatory capital resources requirement set by its regulators.

## Notes to the Financial Statements for the year ended 31 December 2021

The Group undertakes an Internal Capital Adequacy Assessment Process (ICAAP) through which it assesses its capital requirements including projections to determine future liquidity and capital requirements in a range of stressed scenarios. The ICAAP document is reviewed and approved by the Board.

The capital requirements assessment is performed in two parts: the assessment of risks to determine the Pillar 1 and Pillar 2A requirements to satisfy the overall financial adequacy rule and the determination of the requirement for a Capital Planning Buffer to ensure that the Group can meet the overall financial adequacy rule in the future.

The Group operates a monitoring framework over its capital resource and minimum capital requirements daily, calculating the credit and market risk requirements arising on exposures at the end of each business day. The Group additionally monitors internal warning indicators and any breaches are escalated to the Board as they occur, with recommendation for appropriate remedial action. No breaches were reported within the year.

On the 1<sup>st</sup> January 2022, the new Investment Firms Prudential Regime came into force for MiFiD investment firms.

The FCA have stated that IFPR aims to streamline and simplify prudential requirements for MiFiD investment firms, refocusing prudential requirements and expectations away from the risks firms face themselves, to also consider potential "harms" firms pose to clients and markets as a whole.

The key document under this new regime is the Internal Capital And Risk Assessment (ICARA), which replaces the ICAAP. While there are some common sections in both the ICARA and the ICAAP, there are also some important differences, mentioned previously in note 4.

## 6 COUNTRY-BY-COUNTRY REPORTING

The Group is required by the Capital Requirements Regulations 2013 and specifically, Article 89 of the Capital Requirements Directive (CRD IV), to disclose information on the business activities in the countries in which the Group operates.

2021		Trading revenue	Profit/(loss) before tax	Corporation tax paid <sup>(1)</sup>	Average number of employees	Public subsidies
Country	Description of activities	£'000	£'000	£'000	No.	£'000
United Kingdom	The provision of online retail trading financial services, primarily through the offering of CFD's, spread bets and corporate broking advisory services.	24,165	(9,704)	-	126	-
		<u>24,165</u>	<u>(9,704)</u>	<u>-</u>	<u>126</u>	<u>-</u>
2020		Trading revenue	Profit/(loss) before tax	Corporation tax paid <sup>(1)</sup>	Average number of employees	Public subsidies
Country	Description of activities	£'000	£'000	£'000	No.	£'000
United Kingdom	The provision of online retail trading financial services, primarily through the offering of CFD's, spread bets and corporate broking advisory services.	31,764	286	-	97	-
Total		<u>31,764</u>	<u>286</u>	<u>-</u>	<u>97</u>	<u>-</u>

<sup>(1)</sup> The corporation tax paid does not directly relate to the accounting profits earned in that year.

## 7 REVENUE

Net trading revenue consists of all revenue generated from financial instruments and is shown net of client rebates but gross of introducing partner commissions. Interest income earned from segregated client funds is recognised within revenue.



## Notes to the Financial Statements for the year ended 31 December 2021

Revenue in the Financial Statements (based on customer location) is broken down as follows:

Group	2021 £'000	2020 £'000
<b>CFDs and spread betting</b>		
United Kingdom	17,296	17,720
Rest of Europe	4,644	11,444
Asia	429	1,150
Rest of World	160	365
<b>Total CFDs and spread betting</b>	<b>22,601</b>	<b>30,679</b>
<b>Corporate Brokerage</b>		
United Kingdom	1,491	1,085
<b>Licensing Revenue</b>		
Rest of Europe	73	-
<b>Trading revenue</b>	<b>24,165</b>	<b>31,764</b>
Interest (expense)/income on segregated client funds	(3)	37
<b>Total revenue</b>	<b>24,162</b>	<b>31,801</b>

### 8 OPERATING PROFIT

Group	2021 £'000	2020 £'000
<b>Operating (loss)/profit is stated after charging:</b>		
<b>Administrative expenses</b>		
Depreciation of right-of-use assets	581	468
Depreciation of other property, plant and equipment	568	536
Amortisation of intangible assets	1,672	1,221
Short term leases	-	-
Operating lease rentals	-	-
Charge for impairment of trade receivables	112	481
Auditor's remuneration for audit and other services	203	221
<b>Fees payable to Company's auditors were as follows:</b>		
Statutory audit of the Company	103	91
Tax advisory services	56	89
Tax compliance services	14	13
Other assurance services	30	28

### 9 STAFF COSTS

Staff costs, including directors' remuneration (see note 22), were as follows:

## Notes to the Financial Statements for the year ended 31 December 2021

Group	2021 £'000	2020 £'000
Wages and salaries	11,251	8,687
Social security costs	1,293	884
Capitalised development costs	(1,612)	(1,067)
Contributions to defined contribution pension schemes	130	109
	<u>11,062</u>	<u>8,613</u>

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

Group	2021 No.	2020 No.
Independent directors	1	3
Non-exectutive director	1	1
Management	6	1
Front office	15	15
Customer service	9	9
Technology	44	33
Marketing	9	7
Support	18	13
Finance	11	8
Compliance & legal	14	9
	<u>126</u>	<u>97</u>

### 10 FINANCE INCOME

Group	2021 £'000	2020 £'000
Interest receivable from banks and brokers	6	55
Other interest receivable	-	60
	<u>6</u>	<u>115</u>

### 11 FINANCE COSTS

Group	2021 £'000	2020 £'000
Interest payable to banks and brokers	378	259
Interest payable on lease liability	107	165
	<u>485</u>	<u>424</u>

## Notes to the Financial Statements for the year ended 31 December 2021

### 12 TAXATION

Group	2021 £'000	2020 £'000
<b>Analysis of tax (credit)/charge in the year</b>		
<b>Current tax</b>		
UK Corporation tax charge on profit for the year	-	-
UK adjustments in respect of previous periods	-	(217)
Foreign adjustments in respect of previous periods	-	-
<b>Total Corporation tax (credit)/charge</b>	<b>-</b>	<b>(217)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,411)	286
Prior period adjustment	-	(36)
Change in brought forward tax rate	(429)	-
Change in current year tax rate	-	(175)
<b>Total deferred tax</b>	<b>(2,840)</b>	<b>75</b>
<b>Tax (credit)/charge on profit on ordinary activities</b>	<b>(2,840)</b>	<b>(142)</b>

#### Factors affecting tax (credit)/charge for the year

Current tax has been provided at the rate of 19%. The government have announced that the rate of corporation tax will increase to 25% from 1 April 2023. As the higher rate has now been substantially enacted, deferred tax has been provided at a rate of 25% (2020: 19%). See below:

Group	2021 £'000	2020 £'000
(Loss)/profit on ordinary activities before tax	(9,704)	286
Tax at 19% (2020: 19%) thereon	(1,846)	54
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1	5
Change in brought forward tax rate	(429)	-
Change in current year tax rate	(583)	(175)
Depreciation on non qualifying assets	-	227
Prior year adjustment	-	(253)
Other timing differences	17	-
<b>Total tax (credit)/charge for the year</b>	<b>(2,840)</b>	<b>(142)</b>

## Notes to the Financial Statements for the year ended 31 December 2021

### 13 PROPERTY, PLANT AND EQUIPMENT

Group	Furniture, fixtures and computer equipment £'000	Computer software £'000	Right-of-use asset £'000	Total £'000
<b>Cost</b>				
At 1 January 2020	9,684	4,413	2,389	16,486
Additions	711	137	-	848
Disposals	(1,538)	(223)	-	(1,761)
At 31 December 2020	8,857	4,327	2,389	15,573
Additions	311	34	-	345
Disposals	-	-	-	-
<b>At 31 December 2021</b>	<b>9,168</b>	<b>4,361</b>	<b>2,389</b>	<b>15,918</b>
<b>Depreciation</b>				
At 1 January 2020	9,683	3,745	65	13,493
Charge for the year	168	368	468	1,004
Disposals	(1,538)	(225)	-	(1,763)
At 31 December 2020	8,313	3,888	533	12,734
Charge for the year	235	333	581	1,149
Disposals	-	-	-	-
<b>At 31 December 2021</b>	<b>8,548</b>	<b>4,221</b>	<b>1,114</b>	<b>13,883</b>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<b>620</b>	<b>140</b>	<b>1,275</b>	<b>2,035</b>
At 31 December 2020	544	439	1,856	2,839
At 1 January 2020	1	669	2,324	670

The net book value of the Company's property, plant and equipment was £2,160k (2020: £2,964k).

## Notes to the Financial Statements for the year ended 31 December 2021

### 14 INTANGIBLE FIXED ASSETS

Group	Goodwill £'000	Software development £'000	Client lists and customer relationships £'000	Total £'000
<b>Cost</b>				
At 1 January 2020	2,455	7,663	1,307	11,425
Additions	-	1,183	-	1,183
At 31 December 2020	2,455	8,846	1,307	12,608
Additions	-	4,019	-	4,019
<b>At 31 December 2021</b>	<b>2,455</b>	<b>12,865</b>	<b>1,307</b>	<b>16,627</b>
<b>Amortisation</b>				
At 1 January 2020	-	5,911	1,307	7,218
Charge for the year	-	1,221	-	1,221
At 31 December 2020	-	7,132	1,307	8,439
Charge for the year	-	1,672	-	1,672
<b>At 31 December 2021</b>	<b>-</b>	<b>8,804</b>	<b>1,307</b>	<b>10,111</b>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<b>2,455</b>	<b>4,061</b>	<b>-</b>	<b>6,516</b>
At 31 December 2020	2,455	1,714	-	4,169
At 1 January 2020	2,455	1,752	-	4,207

The additions included in software development relate mainly to the purchase of the IT systems, IP and platform of Oval Money during the year, as well as internal, on-going development projects to enhance the Group's own proprietary software and other existing software platforms. Amortisation is included within administrative expenses in the income statement.

The Company's intangible assets as at 31 December 2021 were £4,061k (2020: £1,714k) which consisted of the Oval Money platform asset and capitalised software development costs and are consistent with the Group disclosed above.

#### Impairment of goodwill and intangibles

##### Goodwill

The company performed the annual impairment test as at 31 December 2021. In assessing whether impairment is required, the carrying value of the CGU is compared with the recoverable amount which is determined by fair value less costs to sell. In the case where the fair value less costs to sell cannot be determined the recoverable amount is determined by the value in use. Goodwill has been tested for impairment using terminal value calculations. For this, the present value cash flows of the 2022 Board approved budget and the 2023 to 2025 forecast have been used with a discount rate of 15%. No terminal growth rate is used in the calculation. Since the value in use is significantly greater than the carrying amount of the CGU, there is no indication of impairment as at the year end.

## Notes to the Financial Statements for the year ended 31 December 2021

### Intangibles

Intangibles are tested for impairment if events or changes in circumstances indicated that the carrying amount of the asset may not be recoverable. There was no impairment identified in the year 31 December 2021 (year ended 31 December 2020: £nil).

### 15 INVESTMENT IN SUBSIDIARIES

#### PARENT COMPANY – INVESTMENT IN SUBSIDIARIES

Company	2021 £'000	2020 £'000
At the beginning of the year	3,321	3,321
Impairment write down	-	-
At the end of the year	3,321	3,321

The following companies are owned directly or indirectly by Monecor (London) Limited:

Name of Company	Country of Incorporation	Holding	Share holding	Nature of business
Ariel Systems Group Limited	United Kingdom	Ordinary shares	100%	Non-trading
Ariel Communications Limited	United Kingdom	Ordinary shares	100%	Non-trading
TheAppStudio.com Ltd*	United Kingdom	Ordinary shares	100%	Non-trading
Monecor 123 Limited**	United Kingdom	Ordinary shares	100%	Non-trading

\*TheAppStudio.com Ltd was dissolved on 12 January 2021.

\*\*Monecor 123 Limited was incorporated on 18 August 2021.

The registered address of both Ariel Systems Group Limited and Monecor 123 Limited is 26 Finsbury Square, London, EC2A 1DS.

The registered address of both Ariel Communications Limited and TheAppStudio.com Ltd is 29-32 Mark Road, Hemel Hempstead, HP2 7BW.

#### Impairment of investment in subsidiary

An impairment review was carried out at year end to assess whether the investment in the subsidiary had been impaired below its recoverable value during the year ended 31 December 2021.

It was concluded that the investment in Monecor's subsidiary had a recoverable value equal to its carrying value, therefore no impairment provision was required (year ended 31 December 2020: £nil).

## Notes to the Financial Statements for the year ended 31 December 2021

### 16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts due from brokers	61,575	36,463	61,575	36,463
Amounts due from clients	604	629	604	629
Amounts due from group companies	-	7	-	7
Amounts due from affiliated companies	14	-	14	-
Other receivables	2,974	2,461	2,973	2,460
	<u>65,167</u>	<u>39,560</u>	<u>65,166</u>	<u>39,559</u>

'Amounts due from brokers' is a combination of the total collateral held on account and the valuation of financial derivatives with open positions.

'Amounts due from clients' is the total of trading losses incurred by clients where there have been insufficient funds deposited into their accounts to cover the deficit. The balance is stated net of an impairment provision of £1,380k (2020: £1,424k).

Within 'amounts due from clients', £23,605 (2020: £30,668) was aged less than 30 days, £7,105 (2020: £23,168) between 30 and 60 days and £572,714 (2020: £575,579) over 60 days. There is no balance included within amounts due from brokers which is past due.

### 17 FINANCIAL INSTRUMENTS

#### Classification

The following table shows a breakdown of the Group and Company's financial assets and liabilities which have been classified in accordance with IFRS 9 *Financial Instruments*. The Group considers the carrying amount of financial assets and liabilities not held at fair value as a reasonable approximation of their fair value.

Included within 'trade receivables - amounts due from brokers' is the combination of cash held on account with brokers (disclosed within amortised cost) and the value of derivative open positions as at the year-end (disclosed as FVTPL). As the Group has the legal right and the intention to settle on a net basis, these transactions are reported net in the Group's Statement of Financial Position.

Included within 'amounts due to clients' is cash that clients hold on account, combined with the value of all derivative open positions that clients hold at year end. As the Group has the legal right and the intention to settle on a net basis, the profit and loss incurred by clients is netted off against the balances held by clients. As a result, the amounts due to clients are reported net in the Group's Statement of Financial Position.

## Notes to the Financial Statements for the year ended 31 December 2021

2021		Amortised		
Group and Company	Notes	FVTPL £'000	cost £'000	Total £'000
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents*	19	-	33,771	33,771
<b>Trade and other receivables</b>				
Trade receivables - amounts due from brokers	16	13,904	47,671	61,575
Trade receivables - amounts due from clients	16	-	604	604
Other receivables**	16	-	2,988	2,988
		<b>13,904</b>	<b>51,263</b>	<b>65,167</b>
Financial instruments - non-exchange traded		5,617	-	5,617
Financial instruments - exchange traded		54,476	-	54,476
		<b>60,093</b>	<b>-</b>	<b>60,093</b>
		<b>73,997</b>	<b>85,034</b>	<b>159,031</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to clients		(13,566)	156,517	142,951
<b>Trade and other payables</b>				
Trade and other payables - other		-	9,160	9,160
		-	9,160	9,160
	20	<b>(13,566)</b>	<b>165,677</b>	<b>152,111</b>

\* Company cash and cash equivalents amounts to £33,373k.

\*\*Other receivables also includes amounts due from Group and affiliated companies.



## Notes to the Financial Statements for the year ended 31 December 2021

2020		Amortised		
Group and Company	Notes	FVTPL £'000	cost £'000	Total £'000
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	19	-	40,231	40,231
<b>Trade and other receivables</b>				
Trade receivables - amounts due from brokers	16	15,260	21,203	36,463
Trade receivables - amounts due from clients	16	-	629	629
Other receivables*	16	-	2,468	2,468
		<b>15,260</b>	<b>24,300</b>	<b>39,560</b>
Financial instruments - non-exchange traded		1,109	-	1,109
Financial instruments - exchange traded		121,740	-	121,740
		<b>122,849</b>	<b>-</b>	<b>122,849</b>
		<b>138,109</b>	<b>64,531</b>	<b>202,640</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to clients		7,674	180,823	188,497
<b>Trade and other payables</b>				
Trade and other payables - other		-	3,132	3,132
		<b>-</b>	<b>3,132</b>	<b>3,132</b>
	20	<b>7,674</b>	<b>183,955</b>	<b>191,629</b>

### Fair value estimation

Level 1 prices are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 prices are defined as inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).

Level 3 prices are defined as inputs for the asset or liability that are not based on observable market data.

The following table shows the price level split of assets defined as FVTPL:

Group and Company	2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets valued at Fair Value Through Profit and Loss</b>				
Trade receivables - amounts due from brokers	13,904	-	-	13,904
Financial instruments - non-exchange traded	-	-	5,617	5,617
Financial instruments - exchange traded	54,476	-	-	54,476
	<u>68,380</u>	<u>-</u>	<u>5,617</u>	<u>73,997</u>
<b>Liabilities valued at Fair Value Through Profit and Loss</b>				
Amounts due to clients	(19,183)	-	5,617	(13,566)
	<u>(19,183)</u>	<u>-</u>	<u>5,617</u>	<u>(13,566)</u>

## Notes to the Financial Statements for the year ended 31 December 2021

Group and Company	2020			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Assets valued at Fair Value Through Profit and Loss</b>				
Trade receivables - amounts due from brokers	15,260	-	-	15,260
Financial instruments - non-exchange traded	-	-	1,109	1,109
Financial instruments - exchange traded	121,740	-	-	121,740
	<u>137,000</u>	<u>-</u>	<u>1,109</u>	<u>138,109</u>
<b>Liabilities valued at Fair Value Through Profit and Loss</b>				
Amounts due to clients	<u>6,565</u>	<u>-</u>	<u>1,109</u>	<u>7,674</u>
	<b>6,565</b>	<b>-</b>	<b>1,109</b>	<b>7,674</b>

### Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balance to the closing balance for level 3 fair values.

Group and Company	FVTPL £'000
<b>Balance at 01 January 2020</b>	2,036
Total gains/(losses) recognised in turnover through profit and loss	(927)
Additions	-
Transfers in/(out) of level 3	-
<b>Balance at 31 December 2020</b>	<b>1,109</b>
Total gains/(losses) recognised in turnover through profit and loss	4,508
Additions	-
Transfers in/(out) of level 3	-
<b>Balance at 31 December 2021</b>	<b>5,617</b>

Level 3 inputs are unobservable inputs; unobservable inputs are used to measure fair value to the extent that observable inputs are not available. Level 3 assets are fully hedged positions which have an equal and opposite amount included as a financial liability; as such the Company does not bear any gains or losses as a result of movements in these assets.

In assessing the valuation of level 3, the Company uses third party verification; information was obtained from reputable online sources which provided fair values for assets and liabilities at the balance sheet date.

For one asset, SunMirror AG, although the value of the position could theoretically be matched to the underlying stock, it could not be sold at that point. Therefore, an indicative price was used, this was lower than the quoted share price as at 31 December 2021.

The long lock has since expired, and the company and clients now hold the ordinary shares that can be freely traded.

There have been no other changes to the Group's valuation techniques in the year and no transfers in or out of level 3 fair value in the year ended 31 December 2021.

## Notes to the Financial Statements for the year ended 31 December 2021

### Maturity

All amounts shown as trade and other payables on the Statement of Financial Position and detailed in the trade and other payables note (note 20), have remaining contractual maturities of less than one year (2020: less than one year). The trade and other payables balances are based on the undiscounted cash flows of financial liabilities based upon the earliest date on which the Group can be required to pay.

Liquidity risk management has a short-term outlook as all the financial liabilities have contractual maturities of less than one year.

Derivative financial instruments are settled within one year of the statement of financial position date on a gross basis and included in 'trade and other receivables' and 'trade and other payables'.

Lease liabilities have the following contractual maturities:

	2021	2020
Group and Company	£'000	£'000
<b>Expiry date:</b>		
Within one year	-	-
Between 2 and 5 years	1,218	1,874
	<u>1,218</u>	<u>1,874</u>

### Financial assets and liabilities subject to offsetting

The Group has netting agreements with certain counterparties and where applicable, financial assets and liabilities are shown net on the Group's Statement of Financial Position. The following table shows the effect of the right, and intention, to offset on the Group's financial assets and liabilities:

2021		Gross amounts pre-offset £'000	Amounts set off on the Statement of Financial Position £'000	Net amounts stated on the Statement of Financial Position £'000
Group and Company				
	Notes			
<b>FINANCIAL ASSETS</b>				
<b>Trade receivables - amounts due from brokers</b>				
Loans and receivables	17	47,671	-	47,671
Fair Value Through Profit and Loss (FVTPL)	17	27,283	(13,379)	13,904
		<u>74,954</u>	<u>(13,379)</u>	<u>61,575</u>
<b>Trade receivables - amounts due from clients</b>				
	17	1,983	(1,379)	604
		<u>76,937</u>	<u>(14,758)</u>	<u>62,179</u>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to clients	20	144,330	(1,379)	142,951
<b>Trade and other payables</b>				
Trade and other payables - amounts due to brokers		13,379	(13,379)	-
		<u>157,709</u>	<u>(14,758)</u>	<u>142,951</u>

## Notes to the Financial Statements for the year ended 31 December 2021

2020		Gross amounts pre-offset £'000	Amounts set off on the Statement of Financial Position £'000	Net amounts stated on the Statement of Financial Position £'000
Group and Company	Notes			
<b>FINANCIAL ASSETS</b>				
Trade receivables - amounts due from brokers				
Loans and receivables	17	21,203	-	21,203
Fair Value Through Profit and Loss (FVTPL)	17	69,546	(54,286)	15,260
		71,702	(41,693)	30,009
Trade receivables - amounts due from clients	17	2,053	(1,424)	629
		<b>92,802</b>	<b>(55,710)</b>	<b>37,092</b>
<b>FINANCIAL LIABILITIES</b>				
Amounts due to clients	20	189,921	(1,424)	188,497
Trade and other payables				
Trade and other payables - amounts due to brokers		54,286	(54,286)	-
		<b>244,207</b>	<b>(55,710)</b>	<b>188,497</b>

### 18 DEFERRED TAX ASSET

Deferred income taxes are calculated on all temporary differences and trade losses under the liability method at the tax rate expected to apply when the deferred tax will crystallise.

The deferred tax asset is made up as follows:

Group	2021 £'000	2020 £'000
As at 1 January	1,376	1,451
Credit/(Debit) to Income Statement	2,412	(286)
Effect of change in brought forward tax rate	429	-
Effect of change in current year tax rate	-	175
Adjustment in respect of prior year	-	36
As at 31 December	<b>4,217</b>	<b>1,376</b>

  

Group	2021 £'000	2020 £'000
Accelerated capital allowances	(66)	(119)
Tax losses	4,283	1,495
Other short term timing differences	-	-
	<b>4,217</b>	<b>1,376</b>

The Company's deferred tax asset was £4,215k (2020: £1,357k).

Current tax has been provided at the rate of 19%. The government have announced that the rate of corporation tax will increase to 25% from 1 April 2023. As the higher rate has now been substantially enacted, deferred tax has been provided at a rate of 25% (2020: 19%).

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of the temporary differences can be deducted. The Group and Company's expectations as to the level of future taxable profits take into account the Group and Company's long-term financial and strategic plans and

## Notes to the Financial Statements for the year ended 31 December 2021

anticipated future tax adjusting items. In making this assessment, account is taken of business plans including the board approved Group and Company profit forecast.

The Group and Company has assessed the impact of these changes in line with accounting policies and all deferred tax balances are recorded at the tax rate expected to apply when the deferred tax will crystallise.

### 19 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
Group	£'000	£'000	£'000	£'000
Gross cash and cash equivalents	61,348	78,567	61,314	78,533
Less: Segregated client funds	(27,577)	(38,336)	(27,577)	(38,336)
Cash and cash equivalents	<u>33,771</u>	<u>40,231</u>	<u>33,737</u>	<u>40,197</u>

Gross cash and cash equivalents include the Group's own cash and segregated client funds. Segregated client funds comprise individual client funds that the Group holds in segregated accounts in accordance with the client asset rules of the FCA. This money is not included on the Statement of Financial Position. At the year end, one of the Group's brokers held a charge over £6.6 million (2020: £12 million) of the non-segregated cash balance.

### 20 TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts due to clients	142,951	188,497	142,951	188,497
Amounts due to group companies	-	-	758	758
Amounts due to affiliated companies	5,930	-	5,930	-
Other creditors	598	787	598	787
Accruals	2,632	2,345	2,632	2,345
Provisions	-	-	-	-
	<u>152,111</u>	<u>191,629</u>	<u>152,869</u>	<u>192,387</u>

At the year end the Company had a balance due to a subsidiary, Ariel Communications Limited, totalling £758,047 (2020: £758,052), as well as a balance due to an affiliated company, Monecor (Europe) Limited, totalling £5,929,599; this is repayable on demand.

### 21 ORDINARY SHARE CAPITAL

	2021	2020
Company and Group	£'000	£'000
Allotted, called up and fully paid		
15,420,522 €1 ordinary shares of €1 each	9,911	9,911
215,749,923 "A" ordinary shares of £0.041 each (2020: 137,622,043)	8,846	5,643
	<u>18,757</u>	<u>15,554</u>

## Notes to the Financial Statements for the year ended 31 December 2021

The Company issued 78,127,880 new "A" class ordinary shares of £0.041 each, with a premium of £0.059 per share. As a result, share capital increased in 2021 by £3,203,243 and share premium increased by £4,609,545 (2020: share capital increased by £1,336,192 and share premium increased by £1,922,813).

### 22 RELATED PARTY TRANSACTIONS

#### Transactions with former Parent Company

The Company entered into the following transactions with its former Parent Company, Kytos Limited, during the year:

	2021	2020
Company	£'000	£'000
Benefit/ (cost) of foreign currency and hedging activities	-	1,468

#### Transactions and balances with subsidiaries

The Company also received £nil (2020: £14,041) in payments from the subsidiary and paid £5 (2020: £28,448). No dividend was received by the Company from Ariel Systems Group Limited (2020: £nil).

As a result, at the Statement of Financial Position date, included within the Company's trade and other payables, is a balance owed to Ariel Communications Limited for £758,047 (2020: £758,052).

Amounts due to Group undertakings are unsecured and repayable on demand.

#### Transactions and balances with affiliated companies

The Company has several balances owed to and from affiliated company, Monecor (Europe) Limited, comprising margin paid to brokers, recharged administrative costs, transfer of market risk and white label revenue owed, totalling a net £5,929,599 owed to Monecor (Europe) Limited (2020: £nil). Breakdown as below:

	2021	2020
Company	£'000	£'000
Margin paid to brokers owed to/(from) the Company	(8,696)	-
Recharged administrative costs owed to/(from) the Company	(419)	-
Transfer of risk owed to/(from) the Company	2,314	-
White Label Revenue owed to/(from) the Company	871	-
	<u>(5,930)</u>	<u>-</u>

The Company earns licensing revenue from Oval Marketplace, A.V, S.L.U. with total revenue earned in the year amounting to £73,160 (2020: £nil). The Company also pays for various IT, marketing, professional and staff costs to Oval Marketplace, A.V, S.L.U., with the cost for the year totalling £663,018 (2020: £nil). The total balance owed to the Company as at 31 December 2021 was £17,386 (2020: £nil).

#### Transactions and balances with related parties

The Company transacts with a related party, Jump Trading LLC, which it uses as a broker. As at 31 December 2021, the amount due to the Company from Jump Trading LLC was £154,846 (2020: £55,895).

The Company also uses Objectivus Financial Consulting Limited, a related party, to supply compliance and risk consulting services. Total services for the year amounted to £76,019 (2020: £6,774) and the amount due from the Company to Objectivus Financial Consulting Limited as at 31 December 2021 was £nil (2020: £nil).

## Notes to the Financial Statements for the year ended 31 December 2021

### Transactions with Key Management Personnel

#### i) Director and Key Management Personnel compensation

Compensation of the Group's Key Management Personnel includes salaries, non-cash benefits and contributions to a post-employment defined contribution plan. Key Management Personnel comprise directors (Executive and Non-Executive) together with Senior Executive Officers of the Company and its parent Company.

Company	Directors		Directors and other Key Management Personnel	
	2021	2020	2021	2020
	£	£	£	£
Short-term employee benefits	382,840	997,066	1,418,714	1,072,248
Post-employment benefits	1,319	2,627	7,804	3,284
Termination benefits	-	30,000	102,759	46,000
	<u>384,159</u>	<u>1,029,693</u>	<u>1,529,277</u>	<u>1,121,532</u>
<b>Remuneration of highest paid director</b>				
Wages, salaries, bonuses, incentive payments and benefits	<u>234,440</u>	<u>403,898</u>	<u>234,440</u>	<u>403,898</u>

In the case of Executive Directors and Senior Executive Officers, remuneration consists of: salary, bonuses (payable within 12 months of the year end), social security contributions, medical insurance, gym memberships and other benefits-in-kind, and in the case of Non-Executive Directors: salary or directors' fees. No director received shares in respect of qualifying services under a long-term incentive scheme in the year.

Post-employment benefits consist of payments to defined contribution pension schemes to provide post-retirement pensions from normal retirement date in respect of two Executive Directors (2020: two).

Termination benefits in 2021 amounted to £102,759 (2020: £46,000).

#### ii) Director and Key Management Personnel balances

The following balances were owed (to)/by the Company at the year-end:

Company	Loan Balance	Trading Account Balance	Total Balance
	£	£	£
P Adler	-	3,468	3,468
S Bird	-	1,903	1,903
N Iggulden	-	-	-
R Nagioff	-	-	-
P Sugarman	-	-	-
S Sharma	-	-	-
L Merolla	-	-	-
R Nettles	-	-	-
J Wilson	-	297	297

Some Directors and Key Management Personnel had trading accounts with the Company during the year. The balances above represent the year end liquidation values on trading accounts held by Company Directors and Key Management Personnel. These were subject to the same terms and conditions as other clients of the Company.

## Notes to the Financial Statements for the year ended 31 December 2021

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### 23 CONTROLLING PARTY

NSGC AQ LLC is the Group's immediate parent undertaking, a company incorporated in USA. The registered address of NSGC AQ LLC is Corporation Trust Center, 1209 Orange St, Wilmington, Delaware, United States, 19801. The ultimate controlling parties are Mr William Joseph Disomma and Mr Paul Andrew Gurinas, whose correspondence address is 600 West Chicago Avenue, Suite 600, Chicago, Illinois, United States, 60654.

### 24 SUBSEQUENT EVENTS

The Company issued 30,000,000 new "A" class ordinary shares of £0.041 each, with a premium of £0.059 per share on 7 March 2022. As a result, share capital increased by £1,230,000 and share premium increased by £1,770,000.

The Company has assessed the impact of the ongoing conflict in Ukraine and has concluded that no incidents or losses of note have occurred.

There have been no other reportable events between 31 December 2021 and the signing date of these financial statements.