World First UK Limited

Financial Statements

Year ended 31 December 2019

Company Registration No.05022388

General information

Directors

Mr Jonathan Roger Aitken Quin
Mr Leiming Chen
Mr Douglas L. Feagin
Mr Tzu Chung Liang
Mrs Ying Zhao

Registered office

Millbank Tower
21-24 Millbank
London
SW1P 4QP

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Bankers

Barclays Bank Plc

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Strategic report

Delivering progress

The core vision of World First continues to be to build the world's best platform for international trade by providing fast, efficient foreign exchange, cash collection and international payment services. To achieve this vision we aim to deliver a fairer exchange rate to our corporate and personal customers, helping to make international trade faster, cheaper and easier. We do this with our informed, friendly and helpful customer service staff, highly developed technology and an industry-leading regulatory and compliance platform.

To truly transform international trade we continue to expand our presence globally, growing our business to serve more customers better. On 13th February 2019, we were acquired by Ant Financial. This represented a significant milestone in the journey of World First since it was first established in 2004 and has provided the firm with a very strong platform for our continued international expansion.

Investing to grow

Ant Financial operates across the international trade ecosystem and is a global leader in international payments in the eCommerce and personal payments segments and beyond. The enormous scale of international trade and its expansion over recent years presents World First with very significant opportunities for business growth. The worldwide strengths of World First and Ant Financial are highly complementary and provide a compelling growth platform for enhanced service to our customers throughout the world. We believe that the combined geographical footprints, resources and complementary product suites will transform international trade and, in doing so, create significant value for our customers and opportunities for our employees across all our regions.

The Board in 2019 pursued six main themes for the Group. These were:

- Investment in our people
- Growth in our customer base, accompanying business volumes and our brand
- A move to fully transparent, fixed pricing for customers
- Enhancing our product offering to further improve customer service
- Enhancing the World First platform to support low cost and effective processing, and
- Integration with Ant Financial to leverage revenue and cost synergies

We continued to invest in the skills of our people, building capabilities and adding new staff as our business developed.

We are very proud of our brand globally and it will continue to be a core foundation for the Group. We have continued to expand our World First brand in China to support our international growth strategy and to provide greater reach to a very important customer base.

We have invested heavily in developing our core technology, offering new features, providing greater flexibility and improving efficiency for our customers. World Account, first launched in 2017, is our cornerstone product, providing a highly flexible, multi-currency platform for international trade. We have expanded the use of World Account and added to its capabilities, including an expanded online user experience. We continue to enhance our API products to support businesses with streamlined end-to-end payment solutions. In 2019, we began key integrations with our parent company, offering customers of Alipay, AliExpress and 1688 significantly improved access to international payment corridors.

Business performance

We remain committed to developing our core foreign exchange spot and forward services for our customers, together with related international payment and cash management services.

The underlying performance of the business is summarised below. As reported in last year's financial statements, we closed our US operations in February 2019. The US business has been removed from the performance summary and the comprehensive statement of income on page 13 shows separately the performance of our continuing and discontinued operations for the year ended 31 December 2019 and the comparative prior year period. The summary below covers the ongoing business only, which comprises spot and forward foreign exchange payments for personal clients and corporates across our international locations.

Following our acquisition by Ant, in the second half of 2019 we invested significantly in product development, focusing initially on the China market, but extending this subsequently to Europe and other Asia-Pacific regions. We also significantly reduced our customer pricing at the beginning of August as part of delivering even more value to customers. Following flat turnover growth in 2018, full year turnover increased by 8% in 2019, with particular growth in the Corporate business line. This reflects the average across the year but we have seen strong increases in turnover following the pricing change. We continued to increase the number of customers transacting through online channels with 92% of transactions executed online.

The investment in price reductions resulted in a 33% fall in 2019 revenues compared with 2018. An investment in IT development, together with a move to write-off IT development expenditure rather than capitalise it, drove operating costs up 38% compared with prior year. Overall, we posted an operating loss of £44m as we invest for medium-term growth. This growth is and will continue to be funded by a programme of capital injections from our parent. During 2019, our parent injected £45m of capital to fund investment in technology and an improved customer experience.

	Year ended 31 December 2019	Year ended 31 December 2018 As restated	% change
Continuing operations	**£'000**	**£'000**	
Income	48,529	72,907	-33%
Operating expenses	(93,006)	(67,565)	+38%
Operating (loss)/profit before tax and finance costs	(44,477)	5,342	

People First

World First's success is dependent on the skills, commitment and enthusiasm of all our employees. During 2019, we continued our focus on the hiring of individuals who had the skills and experience which would enable our commercial and technical transformation and, in particular, have built out our Product and Technology organisation and aligned this with our parent Company - Ant Financial.

We continued to enhance learning and development opportunities across both our commercial and technical tracks, and 2019 saw the ongoing development of digital learning platforms, providing employees access to learning at a pace and time that suits them.

Our new relationship with Ant Financial has helped us to deepen our skills and capabilities and help engage our People in learning new approaches to growing the business.

The evolution of our family-first initiatives remains an important talent and retention strategy for World First. Under our policy of putting "People First in all we do", we offer generous maternity and paternity policies that go beyond our local statutory obligations and continue to retain employees post maternity leave with a near 100% record of returners globally. Annual staff turnover to January 2020 was 40%, a reduction of 5% on the previous 12 months to January 2019.

Our commitment to communities is unchanged and in 2019 we supported, a wide range of charitable organisations through our Community@WF committees. 2019 also saw us continue our partnership with The Princes Trust, which extends our charitable reach even further.

As part of the integration with Ant Financial we have rolled out the Ant Group values which focus on: putting the customer first; building trusting relationships with employees, suppliers and customers; and growing our people skills and personal accountability. These values ensure that, as a business, we are constantly evolving with the external commercial environment.

Environment matters

World First takes its environmental responsibilities very seriously. Our vision is to empower our people to take positive action on the environment and to replicate green habits at home and in the office. Our mission is to lower our carbon footprint as a company and as individuals. To do this we have a three-pronged approach: (i) inform colleagues of our shared responsibility (ii) make green behaviour easy and repeatable (iii) celebrate the changes that we have accomplished and reward WorldFirsters for making a difference. It is our policy to encourage electronic communication rather than face-to-face meetings that involve air travel where possible.

Suppliers

World First is fully committed to dealing with suppliers in a fair and ethical fashion. In particular, we adhere to the BEIS code covering payment practices and performance reporting.

Principal risks and uncertainties

Our business has grown rapidly since its inception in 2004 and now operates in seven countries around the world servicing more than 72,000 customers. The Board constantly monitors external and internal risks to the business including threats from competitors, changes in market conditions or regulatory requirements. The Executive team is responsible for the day-to-day operations of all our business in respect of the laws, standards and risk constraints determined by the Board. The key risks and our responses to these are described in the Directors' Report. The key financial risks are set out in Note 16.

Brexit

There continues to be uncertainty surrounding the outcome of Brexit, a decision by the United Kingdom to exit the European Union (EU), which will have an impact on the way the Group transacts with European customers, especially in the event of a "no-deal Brexit". Following the UK's departure from the EU on 31 January, we are now operating within the "transition period" during which we will continue to trade in the EU as normal.

Brexit is not considered a principal risk for World First. In 2019 the Group and Company earned £3.4m of revenue from customers in Europe. The firm has defined contingency plans to help reduce the risks associated with a "no-deal Brexit" which could lead to passporting concerns when trading with EU customers. A new legal entity and subsidiary in the Netherlands has been set up and a payments licence has been approved by the Dutch Central Bank. The establishment of the new Netherlands subsidiary will provide a foundation for accelerated expansion into Europe during and after the transition period. Customers will be migrated to the Netherlands entity prior to the end of the transition period: the credit risk of customer defaults resulting from the changes is considered minimal; we foresee no significant loss of customers; there are no significant changes foreseen in terms of banking relationships. Management continues to closely monitor developments in the inter-governmental Brexit discussions.

COVID-19

We continue to monitor developments in the spread of COVID-19, but do not currently anticipate material disruption to our business plans. Whilst there is a possibility that COVID 19 may have a negative impact on market trading volumes in our key business lines, we anticipate that our planned investments in product and customer experience will drive increased market share that will be more than sufficient to offset any negative market conditions. We have carried out stress tests to assess the impact on revenues of potential volume reductions. In a stressed scenario, our parent company is committed to supporting our ongoing capital position. We have carried out an assessment of the potential impact of COVID 19 on our key partners and suppliers; no additional significant risks were identified as part of this analysis. Our actual trading experience to date has shown minimal negative impact on business volumes and recent currency volatility has driven increased foreign exchange volumes in our key markets. Our credit risk processes have been tightened to support more frequent monitoring of credit exposure and margin call processes.

Since late January we have consulted with all employees daily on their personal health with regard to COVID 19. We were ahead of the market in implementing a full and controlled "working from home" regime.

The impact of COVID-19 is also addressed in the going concern statement in the Directors' Report.

Directors disclosures under s172(1)

As noted above, significant investment is planned in further developing our products and customer experience, underpinned by IT development activities and geographic expansion. This will drive significant business growth and will provide significant opportunities for all employees. In line with Ant Group values:

- we take very seriously our responsibilities to employees for engendering a working environment that is fair and inclusive and takes account of the specific needs of individual members of staff
- we treat our suppliers fairly and aim to be transparent in our dealings with all suppliers
- we take very seriously our role in society through our engagement in charitable activities and in ensuring that our environmental impact is minimised
- we aim at all times to adopt the highest ethical standards in relation to our dealings with customers, partners, suppliers and other external parties with whom we work
- we have a policy of customer first, employee second and investor third

Future opportunities

As a key part of the Ant Financial Group, the growth opportunities for the joint businesses are very exciting. There are enormous opportunities to expand our service offerings, grow our customer base and enter new geographies and markets, as international trade continues to grow. The Group and the Company continue to adopt the going concern basis in preparing the financial statements.

We have plans to continue to integrate our products and offerings into the Ant Financial ecosystem to accelerate the execution of our vision. World First and the World Account are key to the overall strategy of the new Group to expand globally. The acquisition of World First by Ant Financial presents significant opportunities for integration synergies including leveraging:

- Ant's extensive technology capabilities, to develop a more scalable global payments platform
- Ant's customer base, to expand World First's customer footprint,
- Ant's capital base, to fund medium-term growth plans

World First achieved a great deal in 2019, ending the year in a strong growth position and we have re-focused our activities on the very bright and exciting opportunities that lie ahead.

Jonathan Roger Aitken Quin
Director 28th April 2020

World First UK Limited

Year ended 31 December 2019

Directors' report

The Directors are pleased to present their report to the members together with the audited company and consolidated financial statements of World First UK Limited (the "Company") and its subsidiaries (together the "Group").

The principal activity of the Group is that of a specialist foreign exchange and payments provider to individuals and corporate clients. The Group provides spot and forward foreign exchange transactions together with related payment and cash management services.

Directors of the Company

- Mr Jonathan Roger Aitken Quin
- Mr Leiming Chen (appointed 13 February 2019)
- Mr Douglas L. Feagin (appointed 13 February 2019)
- Mr Tzu Chung Liang (appointed 13 February 2019)
- Mrs Ying Zhao (appointed 13 March 2020)
- Sir David Cecil Clementi (resigned 13 February 2019)
- Mr Bradford Eric Bernstein (resigned 13 February 2019)
- Mr Kyle Adams Griswold (resigned 13 February 2019)
- Mr James Coyle (Chairman, resigned 13 February 2019)
- Mr Li Cheng (appointed 13 February 2019 and resigned 13 March 2020)

Company secretary

Jane Fahey resigned on 6th March 2019. Tolulope Odukoya was appointed on 28th March 2019.

Directors' responsibilities 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 financial statements for each financial period. Under that law the Directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of the Group financial statements, state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/or the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and 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 Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

World First UK Limited

Year ended 31 December 2019

Directors' Report (Continued)

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 6. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Regulated operations of the Group

World First UK Limited is authorised in the UK by the Financial Conduct Authority as an electronic money institution under the electronic money regulations 2011. The Company is also registered in Canada with the Financial Transactions and Reports Analysis Centre of Canada.

World First Markets Limited was authorised and regulated in the UK by the Financial Conduct Authority as an investment firm until 22nd December 2017, when it ceased trading.

World First Pty Limited is regulated in Australia by the Australian Securities and Investments Commission (ASIC). It is also a designated remittance provider registered with the Australian Transaction Reports and Analysis Centre (AUSTRAC).

World First USA, Inc. was incorporated in Delaware and registered as a Money Services Business in the United States with Financial Crimes Enforcement Network (FinCEN). It was also registered as a non-depositary financial institution with the Nationwide Multistate Licencing System (NMLS). World First USA, Inc. was also registered in Canada with the Financial Transactions and Reports Analysis Centre of Canada. The company is no longer part of the Group as of 1st February 2019 when it was sold to new shareholders.

World First Asia Limited is registered in Hong Kong as a limited company and is regulated as a Money Services Operator by the Hong Kong Customs and Excise Department.

World First Asia Pte Limited is registered in Singapore as a limited company and is regulated as a remittance business by the Monetary Authority of Singapore (MAS).

World First Netherlands BV was established with the purpose of providing foreign exchange services. On the 9th April 2020, the company was granted an e-money licence by De Nederlandsche Bank, the central bank in the Netherlands.

Principal risks and uncertainties

The Board and Management regularly monitor key risks through the Audit & Risk Committee and the Management Risk Committee which tracks indicators for each category of risk to which the Group is exposed. These include: operational & compliance risk, financial risk (including credit, market & liquidity), strategic risk (including business & reputational) and information risk. Under these high level categories the Group's principal risks for 2019 are viewed as follows: markets and competition leading to spread compression, external fraud, cyber risk, technical debt, regulatory risk, a large systemic event leading to liquidity constraints in the market and litigation.

The Group's approach to managing risk is set out in note 16 to the financial statements. The impact of Brexit and COVID-19 is set out on page 4 of the Strategic Report.

Donations

The Group made £59k cash donations during 2019. However, it is also committed to donate £49k to a selection of charities nominated by staff (none of which were political organisations).

Employee involvement

The Company operates a framework for providing employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Company, has been continued through a variety of channels including quarterly pan-firm CEO updates, monthly meetings between regional management and employees and a monthly newsletter from the CEO.

Diversity and Inclusion

Embracing both the similarities and differences in our workforce, we believe that every single person has a part to play in creating a welcoming, inclusive environment. We are fully committed to avoiding discrimination on the grounds of: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; gender; sexual orientation. We genuinely believe in creating a culture where inclusivity is the norm and, to foster this environment, we commit to:

- treating all individuals fairly and respectfully
- promoting equal opportunities for all and challenging any instances of inequality
- taking a zero-tolerance attitude to discrimination, bullying, harassment or victimisation of any kind
- ensuring that everyone has the right to a voice, an opinion or viewpoint.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Directors' liabilities

The Group has in place a Directors' and Officers' insurance policy to cover relevant individuals against claims arising from their work on behalf of the Company and its subsidiaries. The Directors intend to keep the level of cover provided under annual or more frequent review as appropriate.

Important events during the year

On 1st February 2019, 100% of the issued share capital of World First USA Inc. which, as at 31st December 2018, was held for sale, was sold to new shareholders.

On 13th February 2019, the Company and its subsidiaries were acquired by Alipay (Hong Kong) Holding Limited, an affiliate of Ant Small and Micro Financial Services Group Co. Ltd ("Ant Financial"). Ant Financial is the ultimate parent company of the Group.

All other material events are discussed in the Strategic report from page 2.

Events since the balance sheet date

The Group has continued to operate successfully in 2020 in line with the Board's directions.

Other than as disclosed in note 23 and the assessment of COVID -19 on page 4 of the Strategic Report the Directors do not believe that any other specific reportable events have occurred since the balance sheet date.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue operations for the foreseeable future. Ant Financial have indicated, by way of a letter of support to the Directors, their ongoing unconditional support for the present and future financial obligations of the Group. This includes the provision of capital, technology and human resources to support future business growth and to meet regulatory capital requirements. Ant Financial proposes to provide this financial support on a staged basis during the year.

World First UK Limited

Year ended 31 December 2019

Directors' Reports (Continued)

Given the liquidity and capital resources arrangements in place, the consolidated accounts have been prepared on a going concern basis. The going concern basis is supported by a letter of support from Ant Financial which will enable the WFUK group to achieve its future cash flow forecasts and growth targets.

In the short-term, the impact on the business outlook of the COVID 19 outbreak has been minimal. Whilst there is continuing short-term uncertainty, we believe that the longer-term outlook is positive and we are well positioned to benefit from our planned investments in product and customer experience to drive increased market share; this should be more than sufficient to offset any negative market conditions. Our emergency pandemic plan has been implemented and working practices changed to ensure operational continuity. We have also put in place mitigation plans for our credit risk processes. In reaching the conclusion that the going concern basis is appropriate, we have stress tested future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios that reflect current market conditions, and updated short term forex volatility. Additionally, we considered potential cost reductions in response to lower trading volumes, which provide further resilience against softer revenue growth rates.

Under all plausible scenarios, the Directors conclude that the Group retains sufficient liquidity and that the going concern basis remains appropriate.

Dividends

The Directors do not recommend a dividend for the year ended 31 December 2019. Prior to the sale of World First UK Limited to Ant Financial, a one-off dividend of £513k (£0.51 per ordinary share) became payable to certain shareholders for the year ended 31 December 2018.

Overseas branches

The Company has overseas branches registered in both the Netherlands and the United Arab Emirates (UAE).

Future developments

The Group has continued to develop during the period and the Board consider there are significant opportunities to build the business and serve more customers globally. These opportunities are very significantly heightened as a result of the acquisition of the Group by Ant Financial.

The increased investment the Group has made during the period in our people and technology platforms which deliver services to our customers, position the business well to grow profitably in the future.

Auditors

The auditors, Ernst & Young LLP, are deemed to be reappointed under section 487 of the Companies Act 2006.

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

Jonathan Roger Aitken Quin
Director
28th April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORLD FIRST UK LIMITED

Opinion

We have audited the financial statements of World First UK Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Group statement of comprehensive income, the Group and Parent company Balance Sheet, the Group statement of cash flows, the Group and Parent company statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards 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 group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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 below. 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.

Emphasis of matter

We draw attention to Note 1 and 23 of the financial statements, which describes the economic consequences the company is facing as a result of COVID-19 which is impacting supply chains / consumer demand, financial markets and personnel available for work. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 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 its environment obtained in *the course of the audit, we have not identified material misstatements in the strategic report or 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 set out on page 5, 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to tho 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.

Ernst & Young LLP

Andy Bates (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
1 May 2020

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 As restated £'000
Continuing operations			
Revenue		45,928	71,805
Other income		2,601	1,102
Total income	3	**48,529**	**72,907**
Operating expenses	5	(93,006)	(67,565)
Operating (loss)/profit		**(44,477)**	**5,342**
Finance costs	24	(217)	-
(Loss)/profit on ordinary activities before tax		**(44,694)**	**5,342**
Tax charge on profit on ordinary activities	8	(494)	(1,411)
(Loss)/profit for the financial year from continuing operations		**(45,188)**	**3,931**
Discontinued operations			
Profit/(loss) for the year from discontinued operations	6	**3,236**	**(7,895)**
Loss for the year		**(41,952)**	**(3,964)**
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(1,285)	823
Continuing operations		(753)	565
Discontinued operations		(532)	258
Total comprehensive loss		**(43,237)**	**(3,141)**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Consolidated balance sheet

	Notes	As at 31 December 2019 £'000	As at 31 December 2018 As restated £'000
Non-current assets			
Property, plant and equipment	9	1,572	1,321
Right-of-use assets	24	5,849	-
Intangible assets	10	5,543	11,662
Derivative financial instruments	12	815	593
Trade and other receivables	13	475	421
Corporation tax receivable	8	212	-
Deferred tax asset	8	-	224
		14,466	**14,221**
Current assets			
Cash and cash equivalents		45,658	27,374
Collateral placed with banks		3,963	1,312
Cash and cash equivalents held for customers		416,740	370,736
Trade and other receivables	13	34,744	35,879
Derivative financial instruments	12	8,750	7,382
Corporation tax receivable	8	619	724
Assets held for disposal	6	-	27,608
		510,474	**471,015**
Total assets		**524,940**	**485,236**
Current liabilities			
Lease liabilities	24	2,127	-
Trade and other payables	15	49,878	54,237
Amounts due to customers		409,356	350,276
Amounts due to related companies	22	7,372	-
Derivative financial instruments	12	7,063	5,010
Corporation tax payable	8	84	88
Liabilities held for disposal	6	-	33,288
		475,880	**442,899**
Non-current liabilities			
Lease liabilities	24	3,412	-
Derivative financial instruments	12	771	155
Trade and other payables	15	529	517
		4,712	**672**
Total liabilities		**480,592**	**443,571**
Net assets		**44,348**	**41,665**

Consolidated balance sheet (Continued)

	Notes	As at 31 December 2019 £'000	As at 31 December 2018 As restated £'000
Capital and reserves			
Called up share capital	19	46,001	1,001
Share premium		385	265
Share based payments reserve	20	669	1,659
Capital redemption reserve		1	1
Retained earnings		(4,031)	36,130
Foreign exchange reserve		1,323	2,609
Total shareholders' funds		**44,348**	**41,665**

The financial statements were approved by the Board and signed on its behalf by:

Jonathan Roger Aitken Quin
Director
Date: 28th April 2020

The accompanying accounting policies and explanatory information form an integral part of the financial statements

Company balance sheet

	Notes	As at 31 December 2019 £'000	As at 31 December 2018 As restated £'000
Non-current assets			
Property, plant and equipment	9	934	571
Right-of-use assets	24	2,465	-
Intangible assets	10	5,495	11,568
Investments in subsidiaries	11	14,101	13,040
Derivative financial instruments	12	808	593
Trade and other receivables	13	15	15
		23,818	**25,787**
Current assets			
Cash and cash equivalents		27,660	13,462
Collateral placed with banks		3,963	1,312
Cash and cash equivalents held for customers		313,947	275,088
Trade and other receivables	13	31,174	33,386
Balances held for customers within the Group		5,614	145
Amounts due from related companies		189	132
Derivative financial instruments	12	8,768	8,357
Corporation tax receivable	8	602	562
		391,917	**332,444**
Total assets		**415,735**	**358,231**
Current liabilities			
Lease liabilities	24	1,020	-
Trade and other payables	15	34,304	36,699
Amounts due to customers		140,658	118,074
Amounts due to customers of Group subsidiaries		180,378	150,018
Amounts due to related companies		18,033	19,307
Derivative financial instruments	12	7,163	6,128
Corporation tax payable	8	22	-
		381,578	**330,226**
Non-current liabilities			
Lease liabilities	24	1,206	-
Derivative financial instruments	12	778	155
Trade and other payables	15	328	272
		2,312	**427**
Total liabilities		**383,890**	**330,653**
Net assets		**31,845**	**27,578**

Company balance sheet (Continued)

	Notes	As at 31 December 2019 £'000	As at 31 December 2018 As restated £'000
Capital and reserves			
Called up share capital	19	46,001	1,001
Share premium		385	265
Share based payments reserve	20	669	1,659
Capital redemption reserve		1	1
Retained earnings		(15,211)	24,652
Total shareholders' funds		**31,845**	**27,578**

The financial statements were approved by the Board and signed on its behalf by:

Jonathan Roger Aitken Quin
Director
Date: 28th April 2020

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

World First UK Limited

Year ended 31 December 2019

Consolidated statement of changes in equity

	Called up share capital	Capital redemption reserve	Share premium	Share based payments reserve	Retained earnings As restated	Foreign exchange reserve	Shareholders' funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	1,001	-	265	739	39,463	1,786	43,254
Adjustment to opening equity	-	-	-	-	1,144	-	1,144
Loss for the year	-	-	-	-	(3,964)	-	(3,964)
Other comprehensive income for the year	-	-	-	-	-	823	823
Share buy backs	-	1	-	-	-	-	1
Share based payments transactions	-	-	-	920	-	-	920
Dividends payable	-	-	-	-	(513)	-	(513)
At 31 December 2018	1,001	1	265	1,659	36,130	2,609	41,665
Loss for the year	-	-	-	-	(41,952)	-	(41,952)
Other comprehensive loss for the year	-	-	-	-	-	(1,286)	(1,286)
Transition to IFRS 16	-	-	-	-	132	-	132
Share issuance	45,000	-	120	-	-	-	45,120
Share based payments transactions	-	-	-	669	-	-	669
Share based payments settlements	-	-	-	(1,659)	1,659	-	-
At 31 December 2019	46,001	1	385	669	(4,031)	1,323	44,348

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Per Note 2 (c), the Group adopted IFRS 16 under the modified retrospective approach where comparative information is not restated and instead an adjustment is made to equity at the beginning of the reporting period.

A management review of aged accruals resulted in a write-back in the 2018 equity comparatives. This related to an over accrual of commissions in prior years, the majority of which was adjusted in 2018 opening equity for the Group (£1.1m) and Company (£0.8m) net of the tax impact of £0.2m.

Company statement of changes in equity

	Called up share capital	Capital redemption reserve	Share premium	Share based payments reserve	Retained earnings As restated	Shareholders' funds
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	**1,001**	**-**	**265**	**739**	**26,395**	**28,400**
Adjustment to opening equity	-	-	-	-	844	844
Total comprehensive loss for the year	-	-	-	-	(2,074)	(2,074)
Share buy backs	-	1	-	-	-	1
Share based payments transactions	-	-	-	920	-	920
Dividends payable	-	-	-	-	(513)	(513)
At 31 December 2018	**1,001**	**1**	**265**	**1,659**	**24,652**	**27,578**
Total comprehensive loss for the year	-	-	-	-	(41,606)	(41,606)
Adoption of IFRS 16 *Leases*					84	84
Share issuance	45,000		120			45,120
Share based payments transactions	-	-	-	669	-	669
Share based payments settlements				(1,659)	1,659	-
At 31 December 2019	**46,001**	**1**	**385**	**669**	**(15,211)**	**31,845**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Per Note 2 (c), the Company adopted IFRS 16 under the modified retrospective approach where comparative information is not restated and instead an adjustment is made to equity at the beginning of the reporting period.

A management review of aged accruals resulted in a write-back in the 2018 equity comparatives.

Consolidated cash flow statements

	Year ended 31 December 2019	Year ended 31 December 2018 As restated
	£'000	£'000
Cash flows from operating activities		
(Loss)/profit from continuing operations	(45,188)	3,931
Adjustments to reconcile net (loss)/profit to net cash provided by operating activities		
Change in market value of derivatives	(120)	107
Tax charge	494	2,876
Depreciation	3,019	904
Amortisation	3,792	2,850
Interest on lease liabilities	217	-
Share based compensation	669	921
Impairments	2,927	2,044
Movement in provisions	(30)	208
Loss on disposal of property, plant and equipment	-	158
Net foreign exchange movement	550	407
Adjustment to opening equity	-	(1,209)
Operating cash flow before changes in working capital	(33,670)	13,197
Changes in operating assets and liabilities		
Change in collateral placed with banks	(2,652)	7,023
Change in cash and cash equivalents held for customers	(25,554)	(27,684)
Change in trade and other receivables	(971)	28,531
Change in trade and other payables	(3,637)	(13,220)
Change in derivative financial instruments	1,198	(411)
Change in amounts due to customers	59,080	18,128
Change in net interest received	1,726	952
Change in affiliate balances	7,372	-
Tax paid	(417)	(725)
Net operating cash flow from discontinued operations	(24,748)	593
Net cash flow from operating activities	(22,273)	26,383
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(1,272)	(932)
Investment in intangible assets	(600)	(5,747)
Net investing activities cash flow from discontinued operations	-	(14)
Net cash flow used in investing activities	(1,872)	(6,693)
Cash flows used in financing activities		
Repayment of the lease liabilities	(2,065)	-
Dividends paid	(513)	-
Share issuance	45,120	-
Net cash flow used in financing activities	42,542	-
Net change in cash	18,397	19,690
Cash at beginning of year	28,094	8,245
Effect of exchange rate fluctuation	(833)	159
Cash at end of year	45,658	28,094
Continuing operations	45,658	27,374
Discontinued operations	-	720
	45,658	28,094

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

1. Authorisation of financial statements and statement of compliance with IFRS and FRS 101.

The financial statements of World First UK Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2019 were authorised for issue by the Board of Directors (the "Board") on 28th April 2020 and the balance sheet was signed on the Board's behalf by Jonathan Quin. The Company is incorporated and domiciled in England and Wales. It is a private Company limited by shares.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2019 and in accordance with the Companies Act 2006. The Company's financial statements have been prepared under FRS 101 (Reduced Disclosure Framework). After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue operations for the foreseeable future. Ant Financial, the Group's ultimate parent company, have indicated, by way of a letter of support to the Directors, their ongoing unconditional support for the present and future financial obligations of the Group. Ant Financial proposes to provide this financial support on a staged basis during the year; this includes the provision of capital, technology and human resources to support future business growth and enable the company to continue to meet its regulatory capital requirements. Given the liquidity and capital resources arrangements in place, the consolidated accounts have been prepared on a going concern basis. The accounting policies which follow set out those policies which apply in preparing these financial statements.

2. Accounting policies

The Group's and Company's financial statements are presented in Pounds Sterling (£) and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The accounts are prepared under the historical cost convention except for derivative financial assets and liabilities that are stated at fair value.

The Company is a private limited company incorporated in the United Kingdom, registered at Millbank Tower, 21-24 Millbank, London, SW1P 4QP, England.

As described in the Directors' report, the principal activity of the Company and its subsidiaries is that of foreign currency brokerage.

a) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and the entities it controls (its subsidiaries) drawn up to 31 December each year.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the parent Company and are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits and losses arising from them, are eliminated in full.

b) Disclosure exemptions

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

- the requirements of paragraphs 10(d) and 10(f), of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

The Company has taken advantage of the exemption under s408 of the Companies Act 2006 from presenting its own profit and loss account.

The Directors have approved these disclosure exemptions for the Company.

c) Adoption of new and amended IFRS and interpretations

The IFRS financial information has been drawn up on the basis of accounting standards, interpretation and amendments effective at the beginning of the accounting period.

The Group adopted IFRS 16 'Leases' for the first time. 'Right of Use Assets' and Lease liabilities were recognised and presented separately in the Consolidated and Company Balance Sheets. The Group also adopted IFRIC 23 *'Uncertainty over Income Tax Treatments'* for the first time. The nature and the impact of these new standards are described below.

There were no other applicable new standards coming into effect during the year that impacted the Group.

IFRS 16 'Leases'

IFRS 16 'Leases' was issued in January 2016 to replace IAS 17 'Leases', with effect from 1 January 2019.

Operating leases are brought on balance sheet through the recognition of assets representing the contractual rights of use of the underlying asset during the lease term (the right-of-use asset) and liabilities are recognised for the contractual lease payments (the lease liability). Interest expense is recognised on the lease liability and depreciation expense on the right-of-use asset. The standard includes recognition exemptions for lessees for leases of 'low-value' and short-term leases (lease term of 12 months or less). For lessors, the accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors continue to classify all leases as either finance or operating leases.

Transition to IFRS 16

The Group adopted IFRS 16 under the modified retrospective approach with the date of initial application of 1st January 2019. Under this approach, comparative information is not restated and instead an adjustment is made to equity at the beginning of the reporting period.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low-value.

The impact of adoption of the new standard as at 1st January 2019 (increase/(decrease)) is as follows:

	Group £'000	Company £'000
Assets		
Property, plant and equipment	(121)	(45)
Right-of-use assets	7,111	2,700
Deferred tax asset	(37)	-
Trade and other receivables	(221)	(129)
Total assets	**6,732**	**2,526**
Liabilities		
Lease liabilities	6,666	2,464
Trade and other payables	(66)	(22)
Total liabilities	**6,600**	**2,442**
Equity		
Retained earnings	**132**	**84**

The operating lease commitments as at 31st December 2018, can be reconciled to the lease liabilities as at 1st January 2019 as follows:

	Group £'000	Company £'000
Operating lease commitments as at 31 December 2018	7,199	2,634
Weighted average incremental borrowing rate as at 1 January 2019	2.86%	2.48%
Discounted operating lease commitments as at 1 January 2019	**6,666**	**2,464**

IFRIC 23 ***'Uncertainty over Income Tax Treatments'***

IFRIC 23 was issued in May 2017 with effect from 1 January 2019.

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It requires that an entity considers if it is probable that a taxation authority will accept an uncertain tax treatment. If it is not probable, the entity shall reflect the effect of the uncertainty using one of the following methods:

a) the most likely amount—the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.

(b) the expected value—the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.

The Group has opted to utilise the expected value method in calculating the likely impact of uncertain tax positions relating to intra-group transfer pricing arrangements.

The Group has not early adopted any standards and interpretations that are issued, but not yet effective up to the date of issuance of the Group's financial statements. The Group intends to adopt these standards, when they become effective.

d) Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability effected in the future periods.

Items subject to estimates and assumptions include useful lives of fixed assets, valuation of share based compensation (refer to note 20), uncertain tax positions and deferred tax uncertainties, capitalisation of software development costs, impairment of financial and non-financial assets and transfer pricing. The key areas of accounting judgement and estimation are discussed below.

Tax

Significant judgement is involved in determining the provision for taxation, including the definition of intra-group transfer pricing arrangements. There are certain transactions and computations for which the ultimate tax determination is uncertain. Where a tax position is uncertain, and there is a range of possible outcomes that are neither binary nor concentrated on one value, the expected value is provided using a weighted average of possible outcomes.

Deferred tax assets and liabilities can be recognised when the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Deferred tax assets are recognised when in the opinion of management it is probable that taxable profits will be available against which the differences can be utilised. Deferred tax assets are recognised in subsidiaries with a history of trading losses only where management have prepared and assessed forecasts of taxable profit which indicate full recovery in the foreseeable future with a high level of confidence.

Capitalisation of software development costs

Development expenditure represents expenditure incurred for building internally or purchasing software to support services and products of the Group. Management exercises judgement in determining which software development costs meet the IAS 38 criteria for capitalisation and lead to future economic benefits sufficient to recover the costs capitalised. This includes estimates as to the amount of time spent directly on development of new software or significant improvement of the existing systems. The capitalised assets are amortised over the useful economic lives of these assets. Judgements are involved to determine the useful lives of certain capitalised assets.

Impairment of intangibles

Management exercises judgment in determining whether an impairment loss should be recognised when the carrying amount of intangible assets is less than the recoverable amount, in accordance with IAS 36.

Judgement is required to identify the cash generating units (CGU) where the asset does not generate cash inflows that are largely independent of those assets or other groups of assets.

In assessing 'value-in-use' for an impairment calculation, the estimated future cash flows are forecast covering a period of five years with a long-term growth rate applied to project future cash flows after the fifth year. Judgement is required in relation to the achievability of the long-term business plan, discount rates and other assumptions underlying the valuation process.

Impairment of investment in subsidiaries

The carrying value of the Company's investment in subsidiaries is reviewed on an annual basis for any indication of impairment and, if any such indication exists, the assets' recoverable amount is estimated. If an impairment loss is to be recognised in the income statement of the investing company the carrying value of an asset or its cash-generating unit would need to exceed its recoverable amount.

The impairment analysis for investments in subsidiaries considers estimated future results, annual growth, discount rates and profit margins, cash flows from operations and the tangible and intangible assets of the company. Judgement is required in relation to the achievability of the long-term business plan and macroeconomic assumptions underlying the valuation process.

Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires the Group to make judgements that effect the valuation of the lease liabilities and right-of-use assets. This includes the determination of the incremental borrowing rate used for discounting of future cash flows. For applicable leases in each of the subsidiaries geographic locations, the present value of the lease payment is determined using the discount factor representing the rate of interest rate swap applicable in the first instancing for currency of the lease contract and for similar tenor, adjusted by the average credit spread of entities with rating similar to the subsidiaries rating. Judgement is also required to determine the estimated dilapidation cost at the end of the lease term. The dilapidation cost is part of the initial valuation of the right-of-use asset.

Fair Value of Equity Settled Share Based Payments

At each date of measurement, Ant Small and Micro Financial Services Group Co., Ltd (the ultimate holding company), reviews internal and external sources of information to assist in the estimation of various attributes to determine the fair value of the share based awards granted, including but not limited to the fair value of the underlying shares, expected life, expected volatility and expected forfeiture rates. As the ultimate holding company is a private company, the sources utilised to determine those attributes at the date of measurement are subjective in nature and require the ultimate holding company to use judgement in applying such information to the share valuation models. The ultimate holding company is required to consider many factors and make certain assumptions during this assessment. If any of the assumptions used to determine the fair value of the share based payment awards change significantly, share based payment expense may differ materially in the future from that recorded in the current reporting period.

e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

i) Foreign currency transactions

Transactions in currencies different from the functional currency of the Group entity entering into the transaction are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit and loss. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transactions.

ii) Financial statements of non-Sterling operations

The assets and liabilities of operations whose functional currency is not Sterling are translated to Sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of these operations are translated to Sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Exchange differences arising on retranslation of non-Sterling operations are recognised in other comprehensive income and accumulated within a separate component of equity, the foreign exchange reserve, and are released upon disposal of the non-Sterling operations.

f) Distinction between current and non-current assets and liabilities

Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale for consumption in, the entity's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within twelve months after the end of the reporting period; or
- it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the entity's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be settled within twelve months after the end of the reporting period; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

g) Financial assets

Financial assets are classified at initial recognition and subsequently measured at either amortised cost or fair value through profit and loss.

The classification depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value and, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Group has not classified any financial assets at fair value through other comprehensive income.

i) ***Financial assets at amortised cost***

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash and cash equivalents, collateral placed with banks, cash and cash equivalents held for customers and trade and other receivables.

ii) ***Impairment of financial assets***

An allowance for expected credit losses (ECLs) is required for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition (Stage 1), ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition (Stage 2), or are credit impaired (Stage 3), a lifetime loss allowance is required for credit losses.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. A provision matrix is used to calculate lifetime ECLs for assets that are not credit impaired. ECLs on assets that are not credit impaired are considered to be immaterial.

Default for the purposes of determining ECLs occurs no later than 90 days past due. Given the short term nature of the Group's financial assets, indicators that a debtor is unlikely to pay will occur much earlier and amounts classified as credit impaired are fully provided within 30 days past due.

Amounts will be written off when there is no reasonable expectation of recovery.

iii) ***Financial assets at fair value through profit or loss***

All derivative financial assets are mandatorily classified as fair value through profit or loss and are held for trading. Financial assets classified at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in revenue.

iv) **Derecognition of financial assets**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

h) Financial liabilities

All derivative financial liabilities are classified as fair value through profit or loss and are held for trading. Financial liabilities held at amortised cost include; trade and other payables, lease liabilities, amounts due to related companies and amounts due to customers. Trade and other payables include operating expenses payable and accruals.

All financial liabilities are initially recognised at fair value. Derivative financial liabilities classified at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in revenue.

i) Derecognition of financial liabilities

A financial liability is generally derecognised when the obligation under the liability is discharged, sold, cancelled or expired.

j) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

k) Cash and cash equivalents

The Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are measured at cost being the principal amount. These include:

i) Collateral placed with banks

The Group places collateral deposits with its banks in support of initial and mark to market margin positions.

ii) Cash and cash equivalents held for customers

Cash and cash equivalents held for customers represents cash held in segregated accounts. These balances can have a regulatory or operational restriction placed upon them.

A corresponding liability is maintained in connection with these amounts within "amounts due to customers" in the balance sheet.

l) Amounts due to customers

Amounts due to customers relates to cash and margin transactions. Cash transactions may include:

i) funds held on account to accumulate a balance in advance of a transaction, as well as clients holding margin with the Group.
ii) transacted amounts for which the customer chooses to delay onward payment.

m) Amounts due to customers of Group subsidiaries

This balance recognises that the Company holds customer cash on behalf of the subsidiaries. The Company has a corresponding balance included in amounts due from related companies. This balance and amounts due to and from related companies within the Group are eliminated in full on consolidation.

n) Taxation

i) Current taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the company's taxable profit. The taxable profit may differ from the profit included in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

ii) Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits ("temporary differences") at the rate expected to be in force when the differences reverse and is accounted for using the balance sheet liability method. Deferred tax assets are recognised when it is more likely than not that taxable profits will be available against which the differences can be utilised and this is assessed at each reporting date.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill and other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be covered. If the entity has a history of recent losses the company recognises a deferred tax asset only to the extent there is other convincing evidence that sufficient taxable profit will be available.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

o) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the aggregate amount paid to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life:

- Office and computer equipment - 3 years;
- Leasehold improvements – lesser of the estimated economic useful life or the term of the lease.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and values are written down immediately to their recoverable amount if needed. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the period of de-recognition.

p) Intangible assets

i) Internally generated software

The Group develops internally generated software that is recognised as an intangible asset only if the criteria below are met:

- it will be available for use or sale;
- the software will generate probable future economic benefits; and
- the Group can measure reliably the costs attributable to the software during its development.

The costs that are eligible for capitalisation comprise costs of materials and services used or consumed in generating the intangible asset; staff costs associated with developing the assets, legal fees to register the asset and other directly attributable costs. Amortisation is charged to the operating expenses on a straight line basis over the useful economic lives of the assets (ranging from 3 to 5 years).

ii) Purchased software

The Group purchases software that is recognised as an intangible asset if the following criteria are met:

- the software will generate probable future economic benefits; and
- the Group can measure reliably the costs attributable to the software.

Amortisation is charged to operating expenses on a straight line basis over the useful economic lives of the assets (3 years).

q) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all their liabilities. Ordinary and preference shares are classified as equity and recognised at the fair value of the consideration received by the Company.

r) Investment in subsidiaries

In the holding Company's accounts the subsidiaries are carried at cost less amounts provided for impairment.

s) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If there is an indication that an asset is impaired, the Group estimates the asset's recoverable amount.

In accordance with IAS 36, the recoverable amount is the higher of an asset's or cash-generating-unit's (CGU) value-in-use (VIU) and fair value less costs of disposal (FVLCD). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on most recent budgets and forecast calculations. These forecast calculations cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

t) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases or low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, dilapidation costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2 (s) *Impairment of non-financial assets.*

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, or a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate used to determine such lease payments).

***iii)* Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value (value of the underlying asset is below £5k).

Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term. Sublease income on short-term leases is recognised as income on a straight-line basis over the lease term.

u) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Where the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

v) Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment and are recognised as distributions within equity.

w) Employee benefits

i) Defined contribution plan

The Group and Company operate defined contribution pension schemes and the pension charge represents the contributions made on behalf of employees in respect of that year. These contributions are recognised as compensation expenses in the financial period in which the related service is performed.

ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for leave, based on the Group's policy, as a result of services rendered by employees up to the end of the reporting period.

iii) Share based payments

a. Equity settled award plans

The Group accounts for share-based schemes in accordance with the requirements of IFRS 2 taking into consideration the features of each particular arrangement.

The movement in cumulative charges since the previous balance sheet is recognised in the statement of comprehensive income with a corresponding entry in equity for equity settled schemes. The costs of share-based payments made by the Parent Company to employees of the subsidiaries was treated as an equity contribution in the subsidiaries.

The acquisition of the Group by Ant Financial resulted in full settlement of the World First Group schemes. Ant Small and Micro Financial Services Group Co., Ltd, the ultimate holding company uses an affiliate company Ant International Co., Limited, to grant Restricted Share Units (RSUs) that are equity settled with certain employees of World First Uk Group.

Details of the share based compensation are set out in note 20.

b. Cash settled award plan

The Group had an agreement with an ex-employee that was a cash settled award plan. The Group accounted for the cash settled plan at fair value. A liability was measured and recognised initially and at the end of each reporting period until settled. The acquisition of the Group by Ant Financial resulted in full settlement of the scheme.

x) Income recognition

i) Revenue

Revenue is measured based on the consideration that the Group expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue is recognised when the Group satisfies a performance obligation.

Revenue is the difference between the cost and selling price of currency (foreign currency margin) and the revaluation of open foreign exchange positions to market value, together with the fees facilitating same currency payments. Revenue is recognised after receiving client authorisations to undertake foreign currency transactions for immediate or forward delivery.

Commission expenses are commissions paid or payable to strategic and referral partners.

ii) Other income

Other income includes sublease rent income received from unoccupied property, gains and losses on foreign exchange, net interest income and income from government research and development grants.

y) Related parties

On 13th February 2019, the Company and its subsidiaries were acquired by Alipay (Hong Kong) Holding Limited, an affiliate of Ant Small and Micro Financial Services Group Co. Ltd. ("Ant Financial"). Transactions between the Group and Ant Financial and its subsidiaries meet the definition of related party transactions. Transactions between the Company and its subsidiaries also meet the definition of related party transactions.

Key management personnel, and persons connected with them, are also considered to be related parties. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

Related party transactions are disclosed in note 22.

z) Discontinued operations

The Group classifies assets or disposal groups as held for disposal if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

The criteria for held for disposal classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for disposal are presented separately as current items in the consolidated balance sheet.

A disposal group qualifies as a discontinued operation if it is a component of the Group that has been discontinued, disposed of or held for sale, and represents a separate business line or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss for the year from discontinued operations in the consolidated statement of comprehensive income.

Additional disclosures are provided in note 6.

3. Revenue

Revenue	Group Year ended 31 December 2019 £'000	Group Year ended 31 December 2018 As restated £'000
Revenue on foreign exchange contracts	42,934	66,493
Fees on same currency contracts	5,253	8,365
Commissions	(2,379)	(2,946)
Mark to market on derivative financial instruments	120	(107)
	45,928	71,805
Other income		
Gain/(loss) on foreign exchange	470	(74)
Income from subleases	88	220
Interest income	1,841	1,153
Interest expense	(115)	(200)
Other income	317	3
	2,601	1,102
Total income	**48,529**	**72,907**

A management review of aged accruals resulted in a write-back of commissions of £71k in the 2018 comparatives.

4. Employees' and Directors' remuneration

	Group Year ended 31 December 2019 £'000	Group Year ended 31 December 2018 £'000
Staff costs (including Directors) comprise:		
Salaries and wages	36,521	26,203
Bonus	6,338	5,087
Social security costs	3,345	2,782
Retirement benefit costs	1,377	1,106
Share based payments	669	1,116
	48,250	36,294

Average number of employees including Directors during the year:

	Group Year ended 31 December 2019	Group Year ended 31 December 2018
	Number	Number
Sales and dealing	138	162
General administration	437	432
Management	45	49
	620	643

The average number of employees of the Company during 2019 was 358 employees (2018: 362 employees)

Directors' remuneration:

	Company Year ended 31 December 2019	Company Year ended 31 December 2018
	£'000	£'000
Directors' emoluments	447	411
Retirement benefit costs	12	12
Share based payments	-	-
	459	423

During the period retirement benefits were accruing to one Director (2018: one Director) in respect of money purchase pension schemes. The highest paid Director received remuneration of £459k (2018: £268k).

The value of the Group's contributions paid to a money purchase pension scheme in respect of the highest paid Director amounted to £12k (2018: £12k).

Included in Directors' emoluments is £nil of compensation for loss of office (2018: £nil).

5. Operating expenses

Operating profit is after charging:

	Group Year ended 31 December 2019	Group Year ended 31 December 2018
	£'000	£'000
Wages, salaries and bonus	47,581	35,178
Share based payments	669	1,116
Depreciation	3,019	904
Amortisation	3,792	2,850
Impairments	2,927	2,044
Operating lease rental	367	2,230
Marketing costs	8,558	8,748
Banking costs	5,337	6,210
Professional fees	11,105	1,611
Other administrative costs	9,651	6,674
	93,006	67,565

6. Discontinued operations

As noted in the previous financial year, in December 2018 a decision was made by the Board to withdraw support for World First USA, Inc. following an acquisition bid for the Group from Alipay Hong Kong Holding Limited, an affiliate of Ant Financial Group. The Directors of World First USA, Inc. therefore decided to sell the company and it was subsequently sold in February 2019. At 31 December 2018, World First USA, Inc. was classified as held for disposal and presented as discontinued operations in the Statement of Comprehensive Income.

As noted in the previous financial years, World First Markets Limited ceased to offer clients options in December 2016 and closed all remaining options during 2017. The residual activity in World First Markets Limited continues to be presented as discontinued operations in the Statement of Comprehensive Income for the year ending 31st December 2019.

A summary of the discontinued business in the Group is shown on the following page.

World First UK Limited

Year ended 31 December 2019

Notes to the financial statements

Profit/(loss) from discontinued operations

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue	**£'000**	**£'000**
Revenue on foreign exchange contracts	799	9,376
Fees on same currency contracts	128	236
Commissions paid	(47)	(644)
Mark to market on derivatives	-	1
	880	8,969
Other income		
Other income	9	371
Gain/(loss) on foreign exchange	562	3
	571	374
Total income	**1,451**	**9,343**
Operating expenses		
Marketing costs	(37)	(1,715)
Regulatory costs	(9)	(426)
Professional fees	(67)	(902)
Banking costs	(15)	(237)
Audit fees	-	(138)
Salaries and wages	(302)	(4,475)
Share based payments	-	(80)
Operating lease rental	(11)	(603)
Lease termination costs	2,240	(5,220)
Depreciation	-	(384)
Other costs	(14)	(1,572)
	1,785	**(15,752)**
Operating profit/(loss)	**3,236**	**(6,409)**
Tax charge on ordinary activities	-	(1,486)
Profit/(loss) after taxation	**3,236**	**(7,895)**

	Group As at 31 December 2019	Group As at 31 December 2018
	£'000	£'000
Assets held for disposal		
Cash and cash equivalents	-	720
Collateral placed with banks	-	1,216
Cash and cash equivalents held for customers	-	24,661
Trade and other receivables	-	409
Derivative financial instruments	-	602
	-	27,608
Liabilities held for disposal		
Trade and other payables	-	8,704
Amounts due to customers	-	24,133
Derivative financial instruments	-	451
	-	33,288

Assets and liabilities held for disposal all pertain to World First USA, Inc.

7. Auditors' remuneration

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Audit of financial statements	350	228
Audit of subsidiaries	186	196
	536	424
Audit of financial statements under accrual from prior year	34	3
Taxation compliance & advisory services	227	209
Other non-audit services	30	27
Internal audit services	40	53
	331	292
Total	867	716

8. Corporation tax

a) Tax charge in the income statement on continuing operations

	Group Year ended 31 December 2019 £'000	Group Year ended 31 December 2018 As restated £'000
Current income tax		
UK corporation tax	(13)	81
Foreign tax	109	1,322
Other tax expenses	103	-
Adjustments in respect of prior years	120	(13)
Total current income tax	319	1,390
Deferred income tax		
Origination and reversal of temporary differences	151	9
Adjustments in respect of prior years	24	12
Total deferred tax	175	21
Tax expense in the income statement	**494**	**1,411**

b) Tax relating to items charged to equity

	Group Year ended 31 December 2019 £'000	Group Year ended 31 December 2018 As restated £'000
Current tax adjustment to opening equity	-	215
Deferred tax charge	37	-
Tax charge to equity	**37**	**215**

A management review of aged accruals resulted in a write-back in the 2018 equity comparatives. This related to an over accrual of commissions in prior years, the majority of which was adjusted in 2018 opening equity net of a tax impact of £0.2m.

c) Reconciliation of the total tax charge for continuing operations

The tax expense in the income statement for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	Group Year ended 31 December 2019 £'000	Group Year ended 31 December 2018 As restated £'000
(Loss)/profit before tax	(44,694)	5,342
Tax (credit)/charge at UK corporation tax rate of 19%	(8,492)	1,015
Effects of:		
Overseas tax rates	(21)	(151)
Non-deductible expenses	300	225
Non-taxable income	(213)	(2)
Adjustments for prior periods	144	(1)
Other overseas taxes charges	132	9
Items not recognised for deferred tax	8,529	188
Other	(2)	104
Utilisation of brought forward losses	(58)	-
Write-off of previously recognised deferred tax	175	24
Total expense in the income statement	494	1,411

d) Reconciliation of the total tax charge for discontinued operations

	Group Year ended 31 December 2019 £'000	Group Year ended 31 December 2018 £'000
Profit/(loss) before tax of discontinuing operations	3,236	(6,409)
Tax charge/(credit) at UK corporation tax rate of 19%	615	(1,218)
Effects of:		
Overseas tax rates	-	(83)
Non-deductible expenses	(620)	474
Changes in tax rates	-	-
Adjustments for prior periods	-	5
Other overseas taxes	-	9
Items not recognised for deferred tax	5	823
Write off of deferred tax previously recognised	-	1,465
Utilisation of brought forward losses	-	-
Other	-	11
Tax charge on discontinued operations (note 6)	-	1,486

e) Unrecognised tax losses

As at 31 December 2019 the group has unutilised tax losses of approximately £48.8m (31 December 2018: £0.6m). These losses are available for offset against future taxable profits, subject to the agreement of the tax authority and provisions of local Income Tax Acts.

These deferred tax assets have not been recognised in the Financial Statements as, although the Directors are confident in the future growth of the business, these forecasts are inherently uncertain so a recognition of the deferred tax asset is not considered appropriate.

f) Change in UK corporate tax rate

The main rate of corporate tax for the year ended 31 December 2019 is 19% (2018: 19%).

Legislation will be introduced in Finance Bill 2020 to amend the main rate of Corporation Tax to 19% for financial year 2020. The Corporation Tax charge and the main rate will also be set at 19% for financial year 2021. This reverses previous legislation reducing the Corporation Tax main rate to 17% from the year starting 1 April 2020.

g) Deferred tax

Deferred tax on losses are recognised only where there is a strong business case supported by clear financial plans which have been reviewed by the Board, and it is considered probable that the deferred tax balance is recoverable in the foreseeable future before the losses expire.

Although the Directors are confident in the future growth of the business, these forecasts are inherently uncertain so a recognition of the deferred tax asset is not considered appropriate. The deferred tax asset in respect of temporary differences in World First Asia Ltd and World First Pty Ltd have therefore been written off in full.

Unrecognised deferred tax assets of £9.6m (2018: £0.6m), relating to losses, fixed assets and other temporary differences, have not been recognised in the Financial Statements of the Group, as although the Directors are confident in the future growth of the business, the Directors have taken a conservative view that the recognition of the deferred tax assets is not appropriate at this time.

Unrecognised deferred tax assets of £8.3m (2018: £0.6m), relating to losses, fixed assets and other temporary differences, have not been recognised in the Financial Statements of the Company, as although the Directors are confident in the future growth of the business, the Directors have taken a conservative view that the recognition of the deferred tax assets is not appropriate at this time.

The deferred tax movement for the Group is as follows:

	Continuing Operations		Discontinued Operations		Total Deferred Tax	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Deferred tax asset at start of the period	224	249	-	1,386	224	1,635
Deferred tax credit to the income statement in the period	(151)	(9)	-	(1,465)	(151)	(1,474)
Prior period adjustment	(24)	(12)	-	-	(24)	(12)
Impact of change in exchange rates	(12)	(4)	-	79	(12)	75
Deferred tax charged to equity	(37)		-	-	(37)	
Deferred tax asset at end of the period	-	224	-	-	-	224
The deferred tax asset arises on:						
Property, plant and equipment and intangibles	-	95	-	-	-	95
Other short term timing differences	-	129	-	-	-	129
Deferred tax asset at end of the period	-	224	-	-	-	224

The deferred tax movement for the Company is as follows:

	31 December 2019	31 December 2018
	£'000	£'000
Deferred tax asset at start of the period	-	28
Deferred tax credit to the income statement in the period	-	(24)
Prior period adjustment	-	(4)
Impact of changes in tax rates	-	-
Impact of change in exchange rates	-	-
Deferred tax asset at end of the period	-	-

h) Reconciliation of tax asset/(liability)

	Group		Company	
	31 December 2019	31 December 2018 As restated	31 December 2019	31 December 2018 As restated
	£'000	£'000	£'000	£'000
Non-current assets				
Corporation tax receivable	212	-	-	-
Deferred tax asset	-	224	-	-
Current assets				
Corporation tax receivable	619	724	602	562
Current liabilities				
Corporation tax payable	84	88	22	-
Net position	747	860	580	562
Tax asset/(liability)				
At the start of the period	860	3,276	562	(358)
Current tax adjustment to opening equity	-	(215)	-	(215)
Corporation tax charge to equity	(37)	-	-	-
Impact of change in exchange rates	(15)	123	-	-
Corporation tax paid	433	506	174	1,198
Corporation tax charge to income statement	(494)	(2,830)	(156)	(63)
At the end of the period	747	860	580	562

9. Property, plant and equipment

Group

	Computer equipment £'000	Leasehold property £'000	Office equipment £'000	Total £'000
Costs				
As at 1 January 2018	1,714	1,845	1,972	5,531
Additions	504	162	280	946
Disposals	-	(224)	(27)	(251)
As at 31 December 2018	2,218	1,783	2,225	6,226
Additions	936	122	214	1,272
Disposals	(176)	(274)	(253)	(703)
As at 31 December 2019	2,978	1,631	2,186	6,795
Depreciation				
As at 1 January 2018	(1,231)	(975)	(1,504)	(3,710)
Provided for the year	(339)	(459)	(199)	(997)
Impaired for the year	(23)	(4)	(264)	(291)
Disposals	-	66	27	93
As at 31 December 2018	(1,593)	(1,372)	(1,940)	(4,905)
Provided for the year	(516)	(221)	(166)	(903)
Disposals	175	156	254	585
As at 31 December 2019	(1,934)	(1,437)	(1,852)	(5,223)
Net book value				
As at 31 December 2018	625	412	284	1,321
As at 31 December 2019	**1,044**	**194**	**334**	**1,572**

Impairments are solely for property, plant & equipment in World First USA, Inc. (discontinued operations).

Company

	Computer equipment £'000	Leasehold property £'000	Office equipment £'000	Total £'000
Costs				
As at 1 January 2018	1,224	891	1,196	3,311
Additions	227	10	-	237
Disposals	-	-	(27)	(27)
As at 31 December 2018	1,451	901	1,169	3,521
Additions	675	88	213	976
Disposals		(190)		(190)
As at 31 December 2019	2,126	799	1,382	4,307
Depreciation				
As at 1 January 2018	(865)	(484)	(1,096)	(2,445)
Provided for the year	(212)	(264)	(56)	(532)
Disposals	-	-	27	27
As at 31 December 2018	(1,077)	(748)	(1,125)	(2,950)
Provided for the year	(367)	(95)	(110)	(572)
Disposals		149		149
As at 31 December 2019	(1,444)	(694)	(1,235)	(3,373)
Net book value				
As at 31 December 2018	374	154	44	571
As at 31 December 2019	**682**	**105**	**147**	**934**

10. Intangible assets

Group

	Software developments £'000	Purchased software £'000	Total £'000
Costs			
As at 1 January 2018	16,662	856	17,518
Additions	5,581	166	5,747
As at 31 December 2018	22,243	1,022	23,265
Additions	490	110	600
As at 31 December 2019	22,733	1,132	23,865
Amortisation			
As at 1 January 2018	(6,109)	(600)	(6,709)
Provided for the year	(2,693)	(157)	(2,850)
Written off for the year	(2,044)	-	(2,044)
As at 31 December 2018	(10,846)	(757)	(11,603)
Provided for the year	(3,630)	(162)	(3,792)
Written off for the year	(2,927)	-	(2,927)
As at 31 December 2019	(17,403)	(919)	(18,322)
Net book value			
As at 31 December 2018	11,397	265	**11,662**
As at 31 December 2019	5,330	213	**5,543**

Intangible assets are assessed regularly during the reporting period for any indicators of impairment. When indicators of impairment exist, a value in use assessment is performed which includes a review of financial performance to date and future trading prospects to estimate future cash flows discounted at an appropriate rate.

As a result of the change in business strategy following the acquisition by Ant Financial on 13 February 2019, impairments of £2.9m were recognised in 2019. In addition, a significant amount of the IT development expense for the financial year is no longer eligible for capitalisation in accordance with IAS 38.

Company

	Software developments	Purchased software	Total
	£'000	£'000	£'000
Costs			
As at 1 January 2018	16,662	826	17,488
Additions	5,581	75	5,656
As at 31 December 2018	22,243	901	23,144
Additions	490	110	600
As at 31 December 2019	22,733	1,011	23,744
Amortisation			
As at 1 January 2018	(6,109)	(597)	(6,706)
Provided for the year	(2,693)	(133)	(2,826)
Written off for the year	(2,044)	-	(2,044)
As at 31 December 2018	(10,846)	(730)	(11,576)
Provided for the year	(3,630)	(116)	(3,746)
Written off for the year	(2,927)	-	(2,927)
As at 31 December 2019	(17,403)	(846)	(18,249)
Net book value			
As at 31 December 2018	11,397	171	**11,568**
As at 31 December 2019	5,330	165	**5,495**

11. Investments in subsidiaries

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Balance at the beginning of the year	13,040	23.510
Investment during the year	1,407	-
Impairments during the year	(685)	(10,821)
Impairments reversal during the year	108	-
Investments via share based payments	231	351
Balance at the end of the year	**14,101**	**13,040**

The Company made £1.4m investments in the share capital of its subsidiaries (2018: nil).

Investments in subsidiaries are assessed at the end of each reporting period for any indicators of impairment. A review of financial performance to date and future trading prospects of the business is considered in the assessment.

To calculate value-in-use for the asset, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on most recent budgets and forecast calculations. These forecast calculations cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

The principal subsidiaries of the Company as at 31 December 2019, all of which have been included in these consolidated statements are as follows:

Subsidiary undertakings	Country of incorporation	Registered office	Percentage holding of ordinary shares	Nature of business
World First Asia Pte Limited	Singapore	Unit 36-03, 6 Shenton Way OUE Downtown 1, Singapore 068809	100%	Foreign exchange broker
World First Pty Limited	Australia	Level 7 33 York Street Sydney, NSW 2000, Australia	100%	Foreign exchange broker
World First Asia Limited	Hong Kong	Room 3003-3008, 30F, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong	100%	Foreign exchange broker
World First Japan K.K	Japan	Kyobashi 2-chome 2-chome, Chuo-ku Tokyo, Japan	100%	Collection services
World First Markets Limited	United Kingdom	Millbank Tower 21-24 Millbank London UK SW1P 4QP	100%	Closed to new business
World First Services Limited	United Kingdom	Millbank Tower 21-24 Millbank London UK SW1P 4QP	100%	Dormant
World First Advisory Services Limited	United Kingdom	Millbank Tower 21-24 Millbank London UK SW1P 4QP	100%	Dormant
World First Payment Gateways India Private Limited	India	Workafella Business Centre, 150/1 Infantry Road Corp. Division No. 72, Civil Station, Bailhongal Bangalore Karnataka 560001, India	100%	Dormant
World First Netherlands B.V.	Netherlands	Herengracht 448 Unit 2.1 1017 CA Amsterdam, Netherlands	100%	Holding company

Yuefan Business Consulting (Shanghai) Company Limited is incorporated in the People's Republic of China and is a 100% owned subsidiary of World First Asia Limited and is an indirect holding of the Company. Its principal activity for the year ended 31 December 2019 is the provision of marketing services.

One share in World First Payment Gateways India Private Limited, is held by World First Asia Limited on trust, for World First UK Limited.

World First Services Limited, World First Advisory Services Limited and World First Markets Limited (company registration no. 06382377) are all exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under s479A.

12. Derivative financial instruments

The Group's derivative financial instruments are composed of forward currency contracts.

As at 31 December 2019	Group Current £'000	Group Non-current £'000	Company Current £'000	Company Non-current £'000
Assets				
Forwards	8,750	815	8,768	808
Total assets	8,750	815	8,768	808
Liabilities				
Forwards	(7,063)	(771)	(7,163)	(778)
Total liabilities	(7,063)	(771)	(7,163)	(778)
As at 31 December 2018				
Assets				
Forwards	7,382	593	8,357	593
Total assets	7,382	593	8,357	593
Liabilities				
Forwards	(5,010)	(155)	(6,128)	(155)
Total liabilities	(5,010)	(155)	(6,128)	(155)

13. Trade and other receivables

	Group As at 31 December 2019	Group As at 31 December 2018	Company As at 31 December 2019	Company As at 31 December 2018
Current	£'000	£'000	£'000	£'000
Trade receivables - customers	9,929	5,510	6,456	2,052
Provision for bad & doubtful debts (note 14)	(795)	(2,639)	(630)	(695)
Trade receivables - banks	22,127	24,249	22,127	24,249
Prepayments & accrued income	2,111	2,415	1,912	1,704
Other receivables	1,372	6,344	1,309	6,076
	34,744	35,879	31,174	33,386
Non-current				
Other receivables	475	421	15	15
	475	421	15	15

14. Movement in provision for bad & doubtful debts

	Group	Company
Stage 3	**£'000**	**£'000**
As at 1st January 2018	2,346	491
Transfers from Stage 1	548	376
Releases	(3)	(3)
Write offs	(255)	(171)
Foreign exchange	3	2
As at 31st December 2018	**2,639**	**695**
Transfers from Stage 1	244	166
Releases	(83)	(65)
Write offs	(1,999)	(165)
Foreign exchange	(6)	(1)
As at 31st December 2019	**795**	**630**

The Group utilises a provision matrix to calculate lifetime ECLs for assets that are not credit impaired. ECLs on assets that are not credit impaired are considered to be immaterial. All impairment allowances relate to short term trade receivable balances and are classified as Stage 3 (credit impaired).

15. Trade and other payables

	Group As at 31 December 2019	Group As at 31 December 2018 As restated	Company As at 31 December 2019	Company As at 31 December 2018 As restated
Current	**£'000**	**£'000**	**£'000**	**£'000**
Accruals	9,575	8,581	6,582	5,990
Trade payables	37,630	41,864	25,620	27,775
Other payables	2,673	3,731	2,102	2,873
Provisions	-	61	-	61
	49,878	**54,237**	**34,304**	**36,699**
Non-current				
Other payables	-	49	-	12
Provisions	529	468	328	260
	529	**517**	**328**	**272**

All provisions above relate to leasehold property charges.

A management review of aged accruals resulted in a write-back of the Group (£1.4m) and Company (£1.1m) commission accrual within other payables as at 31 December 2018. This related to an over accrual of commissions in prior years, the majority of which was adjusted in 2018 opening equity for the Group (£1.1m) and Company (£0.8m) net of the tax impact of £0.2m. An improvement in the calculation during 2019 had identified an error in the prior years accruals balance and this was corrected with the restatement of comparatives for the commission in Note 3 Revenue, opening 2018 equity in the Statement of Changes in Equity and the trade and other payables balance above.

16. Risk

An explanation of the Group's significant financial risk management objectives, policies and strategies is set out below.

The Board acknowledges the critical importance of sound and prudent risk and capital management practices to achieving the Group's strategic objectives and its own responsibility for satisfying itself that such practices are embedded into the day-to-day management of the Group's affairs.

The World First Group has adopted a 'three lines of defence' model to manage its principal business risks:

1. Line 1 is risk management: primary responsibility for strategy, performance and risk management lies with the Board, Audit and Risk Committee, the CEO and the Heads of each department.
2. Line 2 is risk oversight: risk oversight is provided by the Risk Team.
3. Line 3 is independent assurance: independent assurance on the effectiveness of the risk management systems. Using a risk based approach the internal audit function provides assurance to the Board on how effectively the organisation assesses and manages its risks, including the manner in which the first and second lines of defence operate.

The Company's activities expose it to a variety of financial risks as outlined below.

Market risk

The main market risk to which the Group is exposed is the risk of loss due to adverse changes in foreign exchange rates. As a matched-principal foreign exchange broker, the Group has limited foreign exchange market risk as the vast majority of trades with customers are matched against trades with the Group's counterparty banks. The Group only enters into proprietary trades for hedging activities.

Foreign currency risk

The Group is exposed to foreign currency risk due to transactions made in non-functional currency. Foreign currency risk for the subsidiaries is transferred to the parent company by selling down exposures to non-functional currencies. Exposure to foreign exchange risk is monitored on an ongoing basis to ensure that the net exposure is at an acceptable level.

The below sensitivity analysis illustrates potential movement in the statement of comprehensive income and has been prepared based on reasonably possible changes in exchange rates that would happen one at a time and assumes all other variables are held constant.

Group

Sensitivity of profit before tax to a +/- 5% change in foreign exchange rates

	2019	2018
	£'000	£'000
USD	(67)	132
HKD	(294)	(298)
SGD	72	46
EUR	2	52
Other	(120)	89
Total	**(407)**	**21**

Company

Sensitivity of profit before tax to a +/- 5% change in foreign exchange rates

	2019	2018
	£'000	£'000
USD	(67)	124
HKD	(294)	(299)
SGD	72	46
EUR	(17)	52
Other	(96)	101
Total	**(402)**	**24**

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a customer or counterparty default on their obligations. The Company's exposure to credit risk arises primarily from cash and cash equivalents, amounts due from related companies and trade and other receivables and in relation to transactions where the Group enters into derivative contracts requiring settlement by the other party or cash holdings.

The carrying amount of financial assets recognised in the balance sheet represents the Group's maximum exposure to credit risk at the reporting date with the exception of derivative financial instruments which were adjusted by a credit valuation adjustment (CVA). The CVA represents the credit risk associated with the derivative financial instrument based on the probability of default of the underlying client or counterparty bank.

The table below shows the Group and Company's maximum exposure to credit risk for its derivative financial instruments:

	Group As at 31 December 2019	Group As at 31 December 2018	Company As at 31 December 2019	Company As at 31 December 2018
	£'000	£'000	£'000	£'000
Financial instruments				
Long term (note 12)	815	593	808	593
Short term (note 12)	8,750	7,382	8,768	8,357
Held for disposal (note 6)	-	602	-	-
Carrying Value	9,565	8,577	9,576	8,950
Credit valuation adjustment	30	135	29	135
Total maximum exposure	9,595	8,712	9,605	9,085

The Client terms and conditions require clients to provide collateral which provides further mitigation to the derivative financial instruments credit risk exposures detailed above. As at 31 December 2019 total collateral held by the Group is £5.9m (2018: £6.8m) of which £5.6m (2018: £6.1m) is held by the Company.

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

The Group requests collateral from customers which is determined following an assessment of their risk profile. In respect of the assets due from customers the Group holds cash collateral as security depending on the customers' creditworthiness. There are no other significant credit enhancements in respect of these assets.

Credit risk relating to customer contracts is monitored on a daily basis and additional collateral is sought if appropriate via margin calls.

The Group's policies restrict the counterparty banks with which derivative transactions can be contracted and funds may be deposited only to those approved by the Board. These banks and financial institutions have a high credit rating and management ensures that exposure is spread appropriately.

The Group has a large number of customers, none of which have a material balance due to the Group, and therefore there is no significant concentration of customer credit risk. Customers range from corporates to individuals.

The Group manages its concentration risk with its banking partners by having a variety of banking partners, and ensuring its exposure to any one specific bank is appropriately managed. The Group also only enters into material banking relationships with banks with appropriate credit ratings. The credit worthiness of our banking partners are monitored on a daily basis using credit default swap pricing and monitoring of credit ratings from credit agencies.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to a shortage of funds. The Group's exposure to liquidity risk arises mainly from bank demands to meet margin calls and from mismatches of the maturities of financial assets and liabilities. The Group's policy on liquidity risk management is to maintain sufficient cash and available funding to meet forecast cash movements. Cash balances and forecast cash movements are reviewed on a regular basis to ensure that the Group maintains adequate working capital. The Group's financial assets and liabilities are short term in nature, which mitigates the risk of default on financial obligations.

The maturity profile of the Group and Company's financial assets and liabilities at the year end, based on undiscounted contractual cash flows, is set out on pages 51 and 52.

Group	**Less than 3 months**	**Between 3 to 6 months**	**Between 6 to 12 months**	**More than 12 months**	**Total**
As at 31 December 2019	**£ '000**	**£ '000**	**£ '000**	**£ '000**	**£ '000**
Assets					
Derivative financial instruments	3,693	2,319	2,738	815	**9,565**
Cash and cash equivalents	45,658	-	-	-	**45,658**
Collateral placed with banks	3,963	-	-	-	**3,963**
Cash and cash equivalents held for customers	416,740	-	-	-	**416,740**
Trade and other receivables	34,744	-	-	475	**35,219**
Total assets	504,798	2,319	2,738	1,290	**511,145**
Liabilities					
Derivative financial instruments	2,798	1,973	2,292	771	**7,834**
Lease liabilities	546	523	1,058	3,412	**5,539**
Trade and other payables	49,878	-	-	529	**50,407**
Amounts due to customers	409,356	-	-	-	**409,356**
Amounts due to related companies	-	-	7,372	-	**7,372**
Total liabilities	462,578	2,496	10,722	4,712	**480,508**
Net financial assets	42,220	(177)	(7,984)	(3,422)	**30,637**

	Less than 3 months	**Between 3 to 6 months**	**Between 6 to 12 months**	**More than 12 months**	**Total**
As at 31 December 2018	**£ '000**	**£ '000**	**£ '000**	**£ '000**	**£ '000**
Assets					
Derivative financial instruments	3,214	2,027	2,141	593	**7,975**
Cash and cash equivalents	27,374	-	-	-	**27,374**
Collateral placed with banks	1,312	-	-	-	**1,312**
Cash and cash equivalents held for customers	370,736	-	-	-	**370,736**
Trade and other receivables	35,879	-	-	421	**36,300**
Total assets	438,515	2,027	2,141	1,014	**443,697**
Liabilities					
Derivative financial instruments	2,384	1,553	1,073	155	**5,165**
Trade and other payables	54,237	-	-	517	**54,754**
Amounts due to customers	350,276	-	-	-	**350,276**
Total liabilities	406,897	1,553	1,073	672	**410,195**
Net financial assets	**31,618**	**474**	**1,068**	**342**	**33,502**

Company	Less than 3 months	Between 3 to 6 months	Between 6 to 12 months	More than 12 months	Total
As at 31 December 2019	**£ '000**	**£ '000**	**£ '000**	**£ '000**	**£ '000**
Assets					
Derivative financial instruments	3,699	2,316	2,753	808	**9,576**
Cash and cash equivalents	27,660	-	-	-	**27,660**
Collateral placed with banks	3,963	-	-	-	**3,963**
Cash and cash equivalents held for customers	313,947	-	-	-	**313,947**
Trade and other receivables	31,174	-	-	15	**31,189**
Balances held for customers within the Group	5,614	-	-	-	**5,614**
Amounts due from related companies	189	-	-	-	**189**
Total assets	386,246	2,316	2,753	823	**392,138**
Liabilities					
Derivative financial instruments	2,892	1,979	2,292	778	**7,941**
Lease liabilities	265	251	504	1,206	**2,226**
Trade and other payables	34,304	-	-	328	**34,632**
Amounts due to customers	140,658	-	-	-	**140,658**
Amounts due to customers of subsidiaries	180,378	-	-	-	**180,378**
Amounts due to related companies	18,033	-	-	-	**18,033**
Total liabilities	376,530	2,230	2,796	2,312	**383,868**
Net financial assets	**9,716**	**86**	**(43)**	**(1,489)**	**8,270**

	Less than 3 months	Between 3 to 6 months	Between 6 to 12 months	More than 12 months	Total
As at 31 December 2018	**£ '000**	**£ '000**	**£ '000**	**£ '000**	**£ '000**
Assets					
Derivative financial instruments	4,014	2,101	2,242	593	**8,950**
Cash and cash equivalents	13,462	-	-	-	**13,462**
Collateral placed with banks	1,312	-	-	-	**1,312**
Cash and cash equivalents held for customers	275,088	-	-	-	**275,088**
Trade and other receivables	33,386	-	-	15	**33,401**
Balances held for customers within the Group	145	-	-	-	**145**
Amounts due from related companies	132	-	-	-	**132**
Total assets	327,539	2,101	2,242	608	**332,490**
Liabilities					
Derivative financial instruments	3,313	1,639	1,176	155	**6,283**
Trade and other payables	36,699	-	-	272	**36,971**
Amounts due to customers	118,074	-	-	-	**118,074**
Amounts due to customers of subsidiaries	150,018	-	-	-	**150,018**
Amounts due to related companies	19,307	-	-	-	**19,307**
Total liabilities	327,411	1,639	1,176	427	**330,653**
Net financial assets	**128**	**462**	**1,066**	**181**	**1,837**

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

Other risks

The Group has exposure to other risks including operational, regulatory and reputational risk.

Operational risk is the risk of loss resulting from inadequate internal processes, people and systems or from external events.

Reputational risk is the risk of damage to the Group or Company's brand or reputation which could lead to further financial risk including risk to earnings, capital or liquidity.

The Group is subject to regulation by local regulatory authorities as detailed on the Directors' Report on page 7. Regulatory risk is the risk of changes by such authorities that could adversely affect the business. This includes regulatory capital and own funds requirements. Capital management is detailed in note 17 below.

The Board and Management of the Group regularly monitor key risks through the Audit & Risk Committee and the Management Risk Committee which tracks indicators for each category of risk to which the Group is exposed.

17. Capital Management

Total capital is defined as share capital and reserves attributable to the equity owners of the Company.

The Board monitors the Group's capital and cash positions regularly to ensure the Group has adequate capital and liquidity to trade and take advantage of business opportunities.

Individual subsidiaries are subject to legal and regulatory capital requirements dependent upon the scale of operations and the products they offer. The Board monitors the capital structure of each subsidiary against these requirements in addition to reviewing periodically the overall capital requirements and capital resources of the Group.

Under the electronic money regulations the Company is required to hold capital equivalent to 2% of the moving six month average outstanding E-money liabilities at the end of each calendar day.

18. Fair value estimation

Recurring fair value measurement

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

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Inputs: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The forward currency contract asset and liabilities of the Group are categorised as Level 2.

The Group utilises valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs to the fullest extent possible. The Group determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. The fair values of over the counter (OTC) financial instruments are determined using appropriately tested valuation models.

The following table summarises the derivative financial assets and liabilities measured at fair value.

	Group	Company
As at 31 December 2019	**Level 2**	**Level 2**
	£'000	**£'000**
Assets		
Forwards	9,565	9,576
Total assets	9,565	9,576
Liabilities		
Forwards	7,834	7,941
Total liabilities	7,834	7,941
As at 31 December 2018		
Assets		
Forwards	7,975	8,950
Forwards held for disposal (note 6)	602	-
Total assets	8,577	8,950
Liabilities		
Forwards	5,165	6,283
Forwards held for disposal (note 6)	451	-
Total liabilities	5,616	6,283

There were no instruments in either level 1 or level 3 for either the Group or Company at 31 December 2019 or 2018 and there were no transfers between levels during the year ended 31 December 2019 or 2018.

For all other non-derivative financial instruments, carrying value is considered to be a reasonable approximation of fair value.

19. Share capital

	31 December 2019 Number thousands	31 December 2018 Number thousands	31 December 2019 £'000	31 December 2018 £'000
Authorised				
Ordinary share of £1 each	45,600	600	45,600	600
Ordinary shares class B of £1 each	400	-	400	-
Preference A shares of £1 each	-	67	-	67
Preference B shares of £1 each	-	333	-	333
Ordinary shares class C of £0.01 each	21	21	-	-
Ordinary shares class D of £0.01 each	44	44	1	1
Ordinary shares class E of £0.01 each	6	6	-	-
Ordinary shares class F of £0.01 each	11	11	-	-
Allotted, issued and fully paid				
Ordinary shares of £1 each				
Opening balance	600	600	600	600
Issued in the year	45,000	-	45,000	-
Closing balance	45,600	600	45,600	600
Ordinary shares class B of £1 each				
Issued in the year	400	-	400	-
Closing balance	400	-	400	-
Preference A shares of £1 each				
Opening balance	67	67	67	67
Converted to ordinary shares class B	(67)	-	(67)	-
Closing balance	-	67	-	67
Preference B shares of £1 each				
At the beginning and end of the year	333	333	333	333
Converted to ordinary shares class B	(333)	-	(333)	-
Closing balance	-	333	-	333
Ordinary shares class C of £0.01 each				
Opening balance	21	27	-	-
Bought back and cancelled	-	(6)	-	-
Closing balance	21	21	-	-
Ordinary shares class D of £0.01 each				
Opening balance	44	47	1	1
Bought back and cancelled	-	(3)	-	-
Closing balance	44	44	1	1
Ordinary shares class E of £0.01 each				
Opening balance	6	16	-	-
Bought back and cancelled	-	(10)	-	-
Closing balance	6	6	-	-
Ordinary shares class F of £0.01 each				
Opening balance	11	14	-	-
Issued in the year	-	2	-	-
Bought back and cancelled	-	(5)	-	-
Closing balance	11	11	-	-
Total			46,001	1,001

During the year ending 31 December 2019, Alipay (Hong Kong) Holding Limited injected equity capital of £45m (£1 per ordinary share) into the Company. Preference Convertible A shares and Preference Convertible B shares were converted to Ordinary B shares following acquisition of the Company by Ant Financial.

Ordinary shares share ratably in the payment of distributions which are allocated on an aggregate basis as detailed in the Articles of Association. The holders of these shares are entitled to receive notice of, attend and speak at general meetings of the Company and to vote on resolutions. Ordinary shares in issue immediately prior to a re-designation of any preferred convertible shares shall be automatically re-designated as Ordinary A shares. Ordinary shares have full dividend rights and do not confer any rights of redemption.

Ordinary B shares share ratably in the payment of distributions which are allocated on an aggregate basis to this share class as detailed in the Articles of Association. These shares carry the right to receive notice of, attend and speak at general meetings and to vote on resolutions. These shares carry full dividend rights and do not confer any rights of redemption.

Preferred Convertible A shares which were issued in 2013, share ratably in the payment of distributions which are allocated on an aggregate basis to this share class as detailed in the Articles of Association. These shares carry the right to receive notice of, attend and speak at general meetings and to vote on resolutions. These shares carry full dividend rights and do not confer any rights of redemption.

Preferred Convertible B shares which were issued in 2013, share ratably in the payment of distributions which are allocated on an aggregate basis to this share class as detailed in the Articles of Association. Preferred Convertible B shares do not carry the right to receive notice, attend and speak at general meetings or to vote on resolutions. Preferred Convertible B shares have full dividend rights and do not confer any rights of redemption.

Ordinary C shares which were issued during 2014 and 2015, have no right entitling the holders to participate in any dividend distribution (other than as detailed in the Articles of Association), and are not entitled to receive notice of, attend or speak at general meetings or vote on resolutions. Ordinary C shares do not confer any right of redemption. Ordinary C shares have been issued to employees with the purpose of replacing share options that were previously granted.

Ordinary D shares which were issued during 2014 and 2015, have no right entitling the holders to participate in any dividend distribution (other than as detailed in the Articles of Association), and are not entitled to receive notice of, attend or speak at general meetings or vote on resolutions. Ordinary D shares do not confer any right of redemption. Ordinary D shares were issued to selected employees as incentives.

Ordinary E shares which were issued during 2016, have no right entitling the holders to participate in any dividend distribution (other than as detailed in the Articles of Association), and are not entitled to receive notice of, attend or speak at general meetings or vote on resolutions. Ordinary E shares do not confer any right of redemption. Ordinary E shares were issued to selected employees as incentives.

Ordinary F shares which were issued during 2017 and 2018, have no right entitling the holders to participate in any dividend distribution (other than as detailed in the Articles of Association), and are not entitled to receive notice of, attend or speak at general meetings or vote on resolutions. Ordinary F shares do not confer any right of redemption. Ordinary F shares were issued to selected employees as incentives.

During the periods to 31 December 2018, 31 December 2017 and 31 December 2016, the Company issued ordinary shares of class E and F as part of its share based payments arrangements with its staff. See note 20.

20. Share based payments and reserves

<u>World First Group Schemes</u>

The Group had two equity settled share schemes that allowed employees to acquire shares in the Company and a cash settled agreement with an ex-employee. The acquisition of the Group by Ant Financial resulted in the vesting of all share based payment schemes. The schemes were replaced by new schemes operated by Ant Financial as detailed below. The share based payments reserve is used to recognise the value of equity settled share based payments provided to employees. The financial impact of settling the equity settled schemes resulted in a release of £1,659k from the share based payments reserve to retained earnings and settlement of the £368k liability for the cash settled scheme.

The total cost recognised in the statement of comprehensive income is shown below:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
2014 Equity plan	-	962
2008 Enterprise management incentive plan	-	(40)
Cash settled share based payment plan	-	274
	-	1,196

The features of the Group's share based schemes were as follows:

2014 Equity plan

The Group entered into arrangements that were equity settled with certain employees. These were measured at fair value at the date of grant, which was then recognised in the statement of comprehensive income on a straight line basis over the vesting period based on the estimated number of shares that would ultimately vest. Fair value was estimated by use of an internal model. The charge was adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the period as well as the estimated period to vesting. The award was subject to the condition that the employees remained in employment at the date of settlement. All shares were issued at a price of £0.01.

The acquisition of the Group by Ant Financial resulted in the vesting of all shares in the scheme.

Details of shares outstanding at the end of the periods are as follows:

Grant date	Outstanding at 31 December 2017	Granted during the year	Cancelled during the year	Oustanding at 31 December 2018	Vested during the year	Oustanding at 31 December 2019	Exercise price (£)
Ordinary C							
15-Apr-14	9,500		-	9,500	(9,500)	-	0.01
31-Oct-14	5,000		-	5,000	(5,000)	-	0.01
01-Mar-15	12,000		(6,000)	6,000	(6,000)	-	0.01
	26,500	-	(6,000)	20,500	(20,500)	-	0.01
Ordinary D							
15-Apr-14	7,000		(2,000)	5,000	(5,000)	-	0.01
07-Aug-14	20,000		-	20,000	(20,000)	-	0.01
31-Oct-14	2,000		-	2,000	(2,000)	-	0.01
01-Mar-15	9,000		(667)	8,333	(8,333)	-	0.01
10-Nov-15	6,250		-	6,250	(6,250)	-	0.01
	44,250	-	(2,667)	41,583	(41,583)	-	0.01
Ordinary E							
17-Feb-16	9,000		(9,000)	-		-	
28-Nov-16	6,650		(1,000)	5,650	(5,650)	-	0.01
	15,650	-	(10,000)	5,650	(5,650)	-	0.01
Ordinary F							
21-Dec-17	14,100		(4,000)	10,100	(10,100)	-	0.01
20-Apr-18		2,000	(1,000)	1000	(1,000)	-	0.01
	14,100	2,000	(5,000)	11,100	(11,100)	-	0.01
	100,500	2,000	(23,667)	78,833	(78,833)	-	0.01

Classes C, D, E and F shares entitled their holders to a dividend payment if the Company has an IPO or a major shareholding re-organisation of at least 50% of the current shareholding. Classes C, D, E and F shares had neither voting rights nor rights to any other dividends or distribution.

2008 Enterprise management incentive (EMI) plan

The Group granted options over its shares to certain employees that expire worthless at the tenth anniversary from the date of grant. These were measured at fair value at the date of grant, which was then recognised in the statement of comprehensive income on a straight line basis over the vesting period based on the Group's estimated number of shares that will ultimately vest. Fair value was estimated by use of an internal model. The charge was adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the period. The award was subject to the condition that the employees remained in employment at the date of settlement.

The acquisition of the Group by Ant Financial resulted in the vesting of all shares in the scheme.

Details of share options outstanding at the end of the periods are as follows:

Grant date	Outstanding at 31 December 2017	Lapsed during the year	Outstanding at 31 December 2018	Vested during the year	Outstanding at 31 December 2019
20-Jul-07	-	-	-	-	-
13-Feb-08	2,500	(2,500)	-	-	-
14-Feb-12	10,000	(4,000)	6,000	(6,000)	-
	12,500	(6,500)	**6,000**	(6,000)	-

Cash settled share based payment plan

The Group had an agreement with an ex-employee that was a cash settled award plan. The Group accounted for the cash settled plan at fair value. A liability was measured and recognised initially and at the end of each reporting period until settled.

The acquisition of the Group by Ant Financial resulted in the vesting of the scheme. The liability arising under this scheme was £nil as at 31 December 2019 (31 December 2018: £368k).

<u>Ant Small and Micro Financial Services Group Co., Ltd</u>

Ant Small and Micro Financial Services Group Co., Ltd, the ultimate holding company of the Group following the acquisition of the Company, operates an equity settled share option scheme (the "Scheme") via an affiliate Company Ant International Co., Limited, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the employees of the Group.

Options granted under the Scheme are exercisable up to six years from the date of grant. These shares are recognised (i) immediately at the grant date if no vesting conditions are required, or (ii) over the requisite service period for each tranche, net of estimated forfeitures. Vesting of the shares is conditional upon the fulfilment of requisite service conditions to the company. The vesting schedule has two types (i) 50% (after 2 years), 25% (after 3 years), 25% (after 4 years) or (ii) 25% annually.

The weighted average exercise prices of the restricted share units ("RSU") outstanding at the end of the year is nil per share and their weighted average contractual life is 5.75 years.

Fair value of RSUs under the Scheme are determined by a valuation model taking into consideration the fair value of the underlying shares on grant date. The fair value at the grant date of the RSUs granted is determined by the Binomial model based on the following assumptions: an expected dividend pay-off ratio of nil, an expected option life of six years, an exercise price of zero, a volatility rate based on comparable companies and a risk-free interest rate of 3.05%.

During the year ended 31 December 2019, there was a charge of £669k to the statement of profit or loss in relation to these shares (2018: £nil).

21. Dividends

	As at 31 December 2019 £ '000	As at 31 December 2018 £ '000
2019: £nil (2018: £0.51) per ordinary share	-	513,100

22. Related party transactions

As specified in Note 2, the Company has taken advantage of the exemption under FRS 101 and IAS 24 *Related Party Disclosures* not to disclose transactions with wholly owned subsidiaries.

On 13th February 2019, the Company and its subsidiaries were acquired by Alipay (Hong Kong) Holding Limited, an affiliate of Ant Small and Micro Financial Services Group Co. Ltd. ("Ant Financial"). Ant Financial is the ultimate parent company of the Group.

The Group's balances with Ant Financial Group companies are shown within amounts due to related parties on the Consolidated Balance Sheet. The balances are unsecured, interest free and repayable on-demand. The Company's balances with World First Group subsidiaries are shown on the Company Balance Sheet.

Amounts due from related companies	**As at 31 December 2019 £'000**	**As at 31 December 2018 £'000**
Amounts due from World First Group subsidiaries to Parent Company	189	132
	189	**132**
Amounts due to related companies		
Amounts due from World First Group to Ant Financial Group companies	7,372	-
Amounts due from Parent Company to World First Group subsidiaries	18,033	19,307
	25,405	**19,307**

The Group had certain amounts of cash held in accounts managed by other Ant Financial Group Companies in connection with payment processing and settlement services. £7m was classified as cash and cash equivalents and £1m as a reduction in cash and cash equivalents held for customers on the Consolidated Balance Sheet.

Up until the acquisition of the Company by Ant Financial, FTV World First LLC ('FTV'), an investment firm, owned 40% of the issued share capital of the Company. Two Directors of the Company were also Directors of FTV.

The remuneration of two key members of the management team is included in the Directors' remuneration in note 4.

23. Non adjusting Post balance sheet events

The Company received a dividend of £4m (HK$40.3m at HK$20 per ordinary share) in relation to its investment in a subsidiary, which was settled as a reduction in the intercompany payable to World First Asia Limited on the 24th February 2020.

On the 26th February 2020, a capital injection of £1.5m (AU$3m) was made by the Company to its subsidiary World First Pty Limited. 3 million ordinary shares were issued at a par value of AU$1 per share.

On the 9th April 2020, a subsidiary of the Company, World First Netherlands BV was granted an e-money licence by De Nederlandsche Bank, the central bank in the Netherlands.

Post the balance sheet date, macro-economic uncertainty has arisen due to the COVID-19 pandemic, which has impacted financial markets, in addition to causing significant FX volatility. This volatility may have an impact on our earnings and cash flow but we are a resilient business, with an effective risk management programme in place. We have established mitigation plans for our business and will continue to evaluate ongoing impacts. We continue to monitor developments in the spread of COVID-19, but do not currently anticipate material disruption to our business plans. Whilst there is a possibility that COVID 19 may have a negative impact on market trading volumes in our key business lines, we anticipate that our planned investments in product and customer experience will drive increased market share that will be more than sufficient to offset any negative market conditions. Our actual trading experience to date has shown minimal negative impact on business volumes and recent currency volatility has driven increased foreign exchange volumes in our key markets. We have also carried out stress tests to assess the impact on revenues of potential volume reductions and we do not expect this to have a material impact on our financial position and we expect the Group to have adequate resources to continue operations for the foreseeable future. Ant Financial is committed to supporting our ongoing capital position and they have indicated, by way of a letter of support, their ongoing unconditional support for the present and future financial obligations of the Group. Ant Financial proposes to provide this financial support on a staged basis during the year; this includes the provision of capital, technology and human resources to support future business growth and to enable the company to continue to meet its regulatory capital requirements. Furthermore, we have carried out an assessment of the potential impact of COVID 19 on our key partners and suppliers and no additional significant risks were identified as part of this analysis. Our credit risk processes have been tightened to support more frequent monitoring of credit exposure and margin call processes.

The significant estimates and judgements that have been made in preparing these financial statements may also be impacted if the current macro-economic uncertainty continues. However, it is currently not possible to estimate the impact of this.

We continue to monitor developments in the spread of COVID-19, but do not anticipate material disruption to our business growth plans.

No other significant non-adjusting events have occurred between the reporting date and the date of authorisation.

24. Leases

The Group leases a number of its offices under non-cancellable lease agreements.

Set out below is the carrying amount of right-of-use assets recognised and the movements during the year:

Leasehold Property	**Group £'000**	**Company £'000**
As at 1 January 2019	7,111	2,700
Retranslation adjustment	(151)	-
Additions	972	742
Depreciation expense	(2,083)	(977)
As at 31 December 2019	**5,849**	**2,465**

Set out below is the carrying amount of lease liabilities and the movements during the year:

Leasehold Property	**Group £'000**	**Company £'000**
As at 1 January 2019	6,666	2,464
Retranslation adjustment	(183)	-
Additions	904	673
Accretion of interest	217	79
Payments	(2,065)	(989)
As at 31 December 2019	**5,539**	**2,227**
Current	**2,127**	**1,022**
Non-current	**3,412**	**1,205**

The following are the amounts recognised in profit or loss:

	Group Year ended 31 December 2019 £'000	Company Year ended 31 December 2019 £'000
Depreciation expense of right-of-use assets	2,115	977
Interest expense on lease liabilities	217	79
Expense relating to short-term leases	367	168
Total amount recognised in profit or loss	**2,699**	**1,224**

There were no leases of low-value assets, leases with residual value guarantees or leases not yet commenced to which the Group is committed.

Interest expense on lease liabilities is disclosed as finance costs in the Statement of Comprehensive Income.

The total cash outflow for leases for the year ending 31 December 2019 is £2.4m (December 2018 £2.6m).

During the year to 31 December 2018, for continuing operations, £2.4m was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases. The Group had also entered into a number of subleases in respect of the operating leases. During the year to 31 December 2018, for continuing operations, £0.2m was recognised as income in the Statement of Comprehensive Income in respect of operating subleases.The future minimum payments and receipts due under non-cancellable operating leases and subleases were as follows:

	Group 31 December 2019 £'000	Group 31 December 2018 £'000	Company 31 December 2019 £'000	Company 31 December 2018 £'000
Operating lease payments due:				
Within one year	2,300	1,653	1,119	533
In one to five years	3,555	5,226	1,242	1,696
In more than five years	29	92	29	92
	5,884	**6,971**	**2,390**	**2,321**
Operating lease receipts due:				
Within one year	-	32	-	32
	-	**32**	**-**	**32**

A dilapidation provision is made when there is a requirement for dilapidation costs to be met by the Group or Company under the contractual lease terms and conditions.

Lease provisions were as follows:

	Group 31 December 2019 £'000	Group 31 December 2018 £'000	Company 31 December 2019 £'000	Company 31 December 2018 £'000
Dilapidations				
Current	-	42	-	42
Non-current	529	468	328	260
	529	**510**	**328**	**302**
Onerous leases				
Current	-	19	-	19
	-	**19**	**-**	**19**

When lease premises were vacated and are no longer used by the business, an onerous lease provision was made for the shortfall between the remaining contractual lease payments and any income received from sub-letting.

25. Pension commitments

The Group and Company operate defined contribution pension schemes. The pension cost charge for the year was £1.4m for the Group and £0.7m for the Company (December 2018: Group £1.1m and Company £0.6m). Included on the balance sheet were amounts due to the pension scheme of £50k for the Group and £4k for the Company (December 2018: Group £60k and Company £nil).

26. Contingent liabilities and commitments

The lease agreement of World First Pty Limited contains a lease incentive such that the total rent paid is reduced provided World First Pty Limited does not default on its lease payments. Although the lease incentive can be reliably measured, it is not recognised in the financial statements because a future sacrifice of the economic benefits is not considered probable. The value of the contingent liability as at 31 December 2019 is £95k (December 2018: £7k). The Group does not have any other significant contingent liabilities or commitments apart from the ones disclosed in Note 24 Leases.