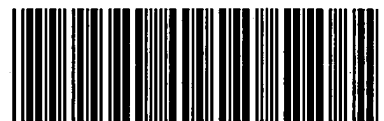


Currencies Direct Financial Markets Limited

Directors' Report and Financial Statements

30 June 2022

THURSDAY



ABWJH303

A06

02/02/2023

#39

COMPANIES HOUSE

Currencies Direct Financial Markets Limited

Registered No 05289787

Directors

K Hatton

N Cooper

Secretary

Breams Secretaries Limited

Floor 8,

71, Queen Victoria Street

London, EC4V 4AY

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London, WC2N 6RH

Bankers

Barclays Bank Plc

Level 11

1 Churchill Place

London, E14 5HP

Solicitors

Fieldfisher

Riverbank House

2 Swan Lane

London, EC4R 3TT

Registered Office

1 Canada Square

Canary Wharf

London, E14 5AA

Currencies Direct Financial Markets Limited

Table of contents

Directors' report	3
Independent auditors' report to the members of Currencies Direct Financial Markets Limited	6
Statement of comprehensive income	10
Statement of financial position	11
Statement of cash flows	12
Statement of changes in equity	13
Notes to the financial statements	14

Currencies Direct Financial Markets Limited

Directors' report for the year ended 30 June 2022

The Directors have pleasure in presenting their report and the audited financial statements of Currencies Direct Financial Markets Limited ("the Company") for the year ended 30 June 2022. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The Company has also taken advantage of the exemption from preparing a Strategic Report under these same provisions.

Results and dividends

The loss for the year, before tax, amounted to £251,000 (year ended 30 June 2021: profit of £273,000). No dividends were paid during the year (2021: £Nil). The Directors do not recommend any final dividends.

Principal activities and review of business

The principal activity of the Company is the provision of foreign currency exchange derivative products for corporate clients. Following a positive year in FY21, revenue fell in FY22 and this led to an operating loss for the year, when allied to cost growth of £98k. Notwithstanding this loss, the Directors see long-term value from this business unit when taken together with offerings from other group subsidiary undertakings.

The Company is authorised and regulated by the FCA as an investment firm.

Future developments

The Company took steps in staff training and development in FY22, and it anticipates these changes will drive future revenue growth.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company can be summarised under the categories of credit, liquidity, foreign currency sensitivity, operational, regulatory and compliance.

The company has no material exposure to revenues from Russian or Ukrainian residents or from trade in Russian Rubles. Its ongoing compliance processes enable it to monitor new sanctions by relevant authorities as they are announced, and take action if needed, and it remains vigilant to ensure that it remains in compliance with all relevant restrictions in relation to this troubled part of the world.

The Board of Directors reviews and agrees policies for managing various risks which are summarised in Note 16.

Going concern

The financial statements have been prepared on a going concern basis. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resource to continue in operational existence for the foreseeable future. In its assessments of going concern the Company has taken into consideration the availability of financial support from CD Topco Limited and its subsidiaries (together "the Group").

For this reason, the Directors are comfortable to continue to adopt the going concern basis in preparing the financial statements.

Directors' report for the year ended 30 June 2022 (continued)

Outlook

The Board has approved a detailed budget for FY23 which is based on realistic and achievable income, EBITDA and cash generation expectations in the current economic environment.

After the short but deep impact seen arising from the first major lockdown in April 2020, the Company's business continuity plan has continued to work well, allowing staff to shield and work remotely, whilst seamlessly continuing to service customers and maintain high operational and regulatory standards. Staff have now returned to the office on a 2-3 day a week basis, and the Company remains confident in its ability to manage any further consequences.

Directors

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

K Hatton
N Cooper

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

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

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' report for the year ended 30 June 2022 (continued)

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulation.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. Throughout the financial year and up to the date of these financial statements, the Company has maintained liability insurance for its Directors and Officers against the costs of defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by UK law, the Company has also provided an indemnity for its Directors and Officers. Neither the insurance nor the indemnity provides any cover where the Director has acted fraudulently or dishonestly.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the Board meeting.

Approved by the Board of Directors and signed on behalf of the Board



N Cooper
Director
21 October 2022

Independent auditors' report to the members of Currencies Direct Financial Markets Limited

Report on the audit of the financial statements

Opinion

In our opinion, Currencies Direct Financial Markets Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2022; the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Independent auditors' report to the members of Currencies Direct Financial Markets Limited

Reporting on other information

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

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

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

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

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 30 June 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Independent auditors' report to the members of Currencies Direct Financial Markets Limited

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's Client Money and Assets (CASS) regulations, Anti-Bribery and Corruption legislation, Anti-Money Laundering legislation, UK tax legislation, and equivalent regulations in each of the territories in which the company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to related to posting inappropriate journal entries, creation of fictitious revenue transactions, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquiry of management, those charged with governance and the entity's solicitors and in-house legal team around actual and potential litigation and claims;
- reviewing minutes of meetings of those charged with governance;
- enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Independent auditors' report to the members of Currencies Direct Financial Markets Limited

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Alex Hookway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 October 2022

Currencies Direct Financial Markets Limited

Statement of comprehensive income

for the year ended 30 June 2022

		2022	2021
	Note	£000	£000
<i>Continuing operations</i>			
Revenue from contracts with customers	6	292	718
Administrative expenses		(543)	(445)
Operating (loss) / profit	7	<u>(251)</u>	<u>273</u>
(Loss) / profit before tax		(251)	273
Income tax	10	-	-
(Loss) / profit and total comprehensive (loss) / income for the year		<u>(251)</u>	<u>273</u>

Currencies Direct Financial Markets Limited

Statement of financial position

at 30 June 2022

	Note	30 June 2022 £000	30 June 2021 £000
Assets			
Non-current assets			
Derivative financial assets	15	-	4
Total non-current assets		-	4
Current assets			
Trade and other receivables	11	1,850	381
Cash and cash equivalents	12	604	1,749
Derivative financial assets	15	591	1,290
Prepayments		2	4
Total current assets		3,047	3,424
Total assets		3,047	3,428
Equity and liabilities			
Equity			
Share capital	17	410	410
Retained earnings		209	460
Total equity		619	870
Non-current liabilities			
Derivative financial liabilities	15	-	4
Total non-current liabilities		-	4
Current liabilities			
Trade and other payables	13	1,787	1,478
Other liabilities	14	215	126
Derivative financial liabilities	15	426	950
Total current liabilities		2,428	2,554
Total equity and liabilities		3,047	3,428

The financial statements on pages 10 to 28 were approved by the Board of Directors on 21 October 2022 and signed on its behalf by N Cooper.



N Cooper
Director
21 October 2022

Currencies Direct Financial Markets Limited

Statement of cash flows

for the year ended 30 June 2022

	Note	2022 £000	2021 £000
Operating activities			
(Loss) / profit before tax		(251)	273
Working capital adjustments:			
Increase in debtors		(764)	(376)
(Decrease)/ Increase in creditors		<u>(130)</u>	<u>170</u>
Cash (used in) / generated from operations		(1,145)	67
Net (decrease) / increase in cash and cash equivalents		(1,145)	67
Cash and cash equivalents at the beginning of the year		<u>1,749</u>	<u>1,682</u>
Cash and cash equivalents at the end of the year	12	<u><u>604</u></u>	<u><u>1,749</u></u>

Currencies Direct Financial Markets Limited

Statement of changes in equity

for the year ended 30 June 2022

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 July 2020	410	187	597
Profit for the year and total comprehensive income	-	273	273
At 30 June 2021	410	460	870
Loss for the year and total comprehensive loss	-	(251)	(251)
At 30 June 2022	410	209	619

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

1. Corporate information

The financial statements of Currencies Direct Financial Markets Limited ("the Company") for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 21 October 2022. The Company is a company limited by shares, incorporated and domiciled in the United Kingdom. The registered office is at One Canada Square, Canary Wharf, London, E14 5AA.

The principal activity of the Company is the provision of foreign currency exchange derivative products for corporate clients.

2. Basis of preparation

The Company's financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006. The Company's financial statements have been prepared under the historical cost convention, modified by revaluation of financial assets and financial liabilities held at fair value through profit or loss. These accounting policies have been applied consistently, other than where new policies have been adopted.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in Note 3.7.

The financial statements have been prepared on a going concern basis. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resource to continue in operational existence for the foreseeable future.

As part of management's preparation of the financial statements the Group has also reviewed the values of its Intangible Assets, Property Plant and Equipment and Right of use assets and are comfortable that there are no potential impairment indicators.

For this reason, the Directors are comfortable to continue to adopt the going concern basis in preparing the financial statements.

The financial statements are presented in British Pounds (GBP) and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

3. Summary of significant accounting policies

The following are the significant accounting policies consistently applied by the Company in preparing its financial statements:

3.1 Revenue recognition

Revenue from contracts with customers 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 commissions on the sale and purchase of currencies. Revenue is recognised after receiving the client legally binding agreement to undertake foreign currency transactions for immediate or option delivery.

The Company considers the overall margin on foreign currency deals with both its banks as well as its customers to contribute to the revenue of the Company.

Where the Company enters into contracts for option delivery with its clients, the Company also enters into separate matched option contracts with its bankers.

Wherever contracts for option delivery are open at the year-end, the contract is recognised in the balance sheet at fair value. The net loss on option contracts at fair value through profit or loss is £nil (2021: £nil) which is included in revenue.

3.2 Taxes

Current income tax

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Income tax is charged or credited directly to equity if it relates to transactions that are credited or charged to equity. Otherwise income tax is recognised in the comprehensive income statement.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.
- Deferred income tax assets or liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Notes to the financial statements

for the year ended 30 June 2022

3. Summary of significant accounting policies (continued)

3.3 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and non-restricted current accounts with banks.

Client money is recognised within cash and cash equivalents. In accordance with our regulatory reporting requirements, following a customer trade, all client monies are collected into segregated client accounts. For those client monies which have then been held for the day after receipt (i.e. where money is received on day 1 and where the money is still being held by the Company, that money (or its equivalent value at the end of the next day), is moved into separate safeguarded accounts.

On a daily basis, analysis is undertaken showing how much of the funds should be safeguarded and a bank transfer is made to cover the difference. If the funds are short, then a movement from the business account to the safeguarding accounts is set up to move the net requirement into safeguarding funds. If the safeguarding account is in surplus then a transfer back to the business account is made.

3.4 Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss and financial assets at amortised cost, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The Company's financial assets include cash and cash equivalents, trade and other receivables, financial assets at amortised cost and derivative financial instruments.

Notes to the financial statements

for the year ended 30 June 2022

3. Summary of significant accounting policies (continued)

3.4 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost

The Company's financial assets at amortised cost comprise those financial assets which are not derivatives.

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method is included in the finance income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Financial assets at fair value through profit and loss

The Company's financial assets at fair value through profit and loss comprise solely of derivatives namely option contracts. These derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred substantially all the risks and rewards of the asset; or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ii) Impairment of financial assets

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, carried at amortised cost. This includes directly attributable transaction costs.

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

3. Summary of significant accounting policies (continued)

3.4 Financial instruments – initial recognition and subsequent measurement (continued)

iii) Financial liabilities (continued)

Financial liabilities at fair value through profit and loss

The Company's financial liabilities at fair value through profit and loss comprise solely of derivatives namely option contracts. These derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in income statement.

Financial assets and liabilities held at amortised cost

The Company's financial assets and liabilities held at amortised cost comprise those financial liabilities which are not derivatives.

After initial recognition, interest bearing financial assets and liabilities held at amortised cost are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method "EIR" amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligations under the liability is discharged or cancelled or expires.

3.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the income statement in those categories with the function of the impaired asset.

3.6 Provisions for liabilities

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3.7 Accounting estimates and judgements

In the process of applying the Company's accounting policies the Directors are required to make estimates and adjustments that may affect the financial statements. The Directors believe that the estimates and judgements applied in the financial statements are reasonable.

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

4. New standards and interpretations effective in the reporting period

There are no new standards effective in the reporting period that would have a material effect on these financial statements.

5. New standards, amendments and interpretations issued and effective for the financial year beginning on or after 1 July 2022 and not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory to 30 June 2022 and which have not been adopted early in these financial statements. These standards are not expected to have a material impact in the current or future reporting periods.

6. Revenue from contracts with customers

In the opinion of the Directors, the Company has only one class of business being the provision of foreign currency exchange derivative products for corporate clients in the UK.

7. Operating (loss) / profit

	2022 £000	2021 £000
Employee benefits expenses (Note 9)	93	193
Auditors' remuneration:		
- Audit services	32	28
- Non-audit services:		
Regulatory services (CASS audit)	301	52

8. Directors' emoluments

The Directors are remunerated in respect of their services to the Company by the parent undertaking Currencies Direct Limited. They do not receive any remuneration in respect of qualifying services provided to the Company (2021: £nil).

9. Employee benefits expense

	2022 £000	2021 £000
Wages and salaries	82	170
Social security costs	10	22
Other pension costs	1	1
	<u>93</u>	<u>193</u>

The average monthly number of employees during the year was made up as follows:

	2022 No.	2021 No.
Currency dealers and account managers	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

10. Income tax

The major components of income tax expenses for the years ended 30 June 2022 and 30 June 2021 are:

	2022	2021
	£000	£000
Current income tax charge	-	-
Income tax expense reported in the statement of comprehensive income	-	-

A reconciliation between tax expense and the product of accounting (loss) / profit before tax multiplied by UK's standard rate of corporation tax for the year ended 30 June 2022 and year ended 30 June 2021 is as follows:

	2022	2021
	£000	£000
Accounting (loss) / profit before tax	(251)	273
(Loss) / profit before tax at the average UK statutory income tax rate of 19% (2021: 19%)	(48)	52
Effects of:		
Transfer pricing adjustments	(19)	(24)
Group relief received	67	(28)
Income tax expense reported in the comprehensive income statement	-	-

Recent announcements by the UK government have called into question whether the main rate of corporation tax will increase to 25% or will remain at 19%. If UK deferred tax assets and liabilities had been measured at 19% at the balance sheet date, there would have been no impact on the deferred tax liability.

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

11. Trade and other receivables

	30 June 2022 £000	30 June 2021 £000
Trade receivables	32	57
Other debtors	1,818	324
	<u>1,850</u>	<u>381</u>

Other debtors include non-interest bearing collateral of £1,818,000 (2021: £324,000) deposited with the Company's banks, in respect of the derivatives held with the same banks.

12. Cash and cash equivalents

	30 June 2022 £000	30 June 2021 £000
Client accounts	104	492
Company bank accounts	500	1,257
	<u>604</u>	<u>1,749</u>

It is the policy of the Company that all bank accounts containing client monies which are required to be ring-fenced by the regulator, are held in safeguarding or segregated accounts. As at 30 June 2022, the Company held segregated and safeguarded ring-fenced cash balances of £0.1m (2021: £0.5m).

13. Trade and other payables

	30 June 2022 £000	30 June 2021 £000
Trade creditors	32	167
Amounts owed to parent company (Note 18)	1,754	1,290
Amounts owed to subsidiary undertaking (Note 18)	1	1
Other creditors	-	20
	<u>1,787</u>	<u>1,478</u>

Amounts owed to parent company and to fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

14. Other liabilities

	30 June 2022 £000	30 June 2021 £000
Accruals and deferred income	215	126
	<u>215</u>	<u>126</u>

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

15. Derivative financial assets and financial liabilities

15.1 Other financial assets

Financial instruments at fair value through profit or loss

Current	30 June 2022 £000	30 June 2021 £000
Foreign exchange derivatives	591	1,290
Total financial assets at fair value	591	1,290

Non-current	30 June 2022 £000	30 June 2021 £000
Foreign exchange derivatives	-	4
Total financial assets at fair value	-	4

15.2 Other financial liabilities

Financial liabilities at fair value through profit or loss

Current	30 June 2022 £000	30 June 2021 £000
Foreign exchange derivatives	426	950
Total financial liabilities at fair value	426	950

Non-current	30 June 2022 £000	30 June 2021 £000
Foreign exchange derivatives	-	4
Total financial liabilities at fair value	-	4

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

15. Derivative financial assets and financial liabilities (continued)

15.3 Fair values

Below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	30 June 2022 £000	30 June 2021 £000	30 June 2022 £000	30 June 2021 £000
Financial assets held at amortised cost				
Trade and other receivables	1,850	381	1,850	381
Cash and cash equivalents	604	1,749	604	1,749
<i>Financial assets at fair value through profit or loss</i>				
Foreign exchange option contracts – non-current	-	4	-	4
Foreign exchange option contracts – current	591	1,290	591	1,290
Total financial assets	3,045	3,424	3,045	3,424
Financial liabilities held at amortised cost				
Trade and other payables	1,787	1,478	1,787	1,478
Accruals	215	126	215	126
<i>Financial liabilities at fair value through profit or loss</i>				
Foreign exchange option contracts - current	426	950	426	950
Foreign exchange option contracts – non-current	-	4	-	4
Total financial liabilities	2,428	2,558	2,428	2,558

The following methods and assumptions were used to estimate the fair values:

- Trade and other receivables, cash and cash equivalents and trade and other payables approximate their carrying amount largely due to the short-term maturities of these instruments.
- The fair value of the foreign exchange options has been calculated using standard market practices.

Fair value hierarchy

- The foreign exchange option contracts fall into Level 2 of the fair value hierarchy prescribed by IFRS 13 'Fair Value Measurement', since Level 2 comprises inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, the price) or indirectly.

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

15. Derivative financial assets and financial liabilities (continued)

15.4 Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subjects to offsetting, enforceable master netting arrangements and similar agreements

As at 30 June 2022 £000	Gross amounts of recognised financial liabilities /assets	Gross amounts of recognised financial liabilities /assets set off in the balance sheet	Net amounts of financial liabilities /assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral paid	
	£000	£000	£000	£000	£000	£000
Derivative financial assets	591	-	591	(184)	-	407
Total	591	-	591	(184)	-	407
Derivative financial liabilities	426	-	426	(184)	(85)	157
Total	426	-	426	(184)	(85)	157

As at 30 June 2021 £000	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial assets/ liabilities set off in the balance sheet	Net amounts of financial assets/liabi lities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral paid	
	£000	£000	£000	£000	£000	£000
Derivative financial assets	1,294	-	1,294	(226)	-	1,068
Total	1,294	-	1,294	(226)	-	1,068
Derivative financial liabilities	954	-	954	(226)	(197)	531
Total	954	-	954	(226)	(197)	531

Notes to the financial statements

for the year ended 30 June 2022

16. Financial risk management objectives and policies

Introduction

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement, monitoring and mitigation. This process of risk management is critical to the Company's continuing profitability and each manager within the Company is accountable for the risk exposures relating to his or her responsibilities.

Risk management structure

a. Board of Directors

The Board of Directors is responsible for approving the risk management strategies and principles of the Company. These are regularly monitored by the board through the Company's Compliance Monitoring Programme, and day to day responsibilities for managing risks are delegated to appropriate managers in the Company and – via intra-group agreements – managers in other Group companies.

b. Management Team

The Management Team is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. This is further enhanced by the action of the risk committee which meets quarterly to review horizon –scanning, new risks, risk control action plan and ongoing compliance matters. The committee is made up of a member of senior managers and risk-orientated managers.

The Board of Directors reviews and agrees policies for managing various risks which are summarized below:

Credit risk

The Company's credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. Credit risk arises principally from trade receivables, derivative financial instruments and to a lesser extent from other contractual financial obligations. As at 30 June 2022 the Company has deposited cash collateral of £1,818,000 (2021: £324,000) with trading bank counterparties (Note 11). As the deals close the collateral required by each counter-party bank is released back into business cash.

The profile of the Company's credit risk is low and there has been no change to that profile in the current year. For trade receivables and derivative financial instruments there was no relevant concentration of credit risk by type of counterparty at the end of current and prior years. The Company's credit risk exposure is primarily influenced by individual customer characteristics and no individual customer accounted for more than 10% of the relevant balances. In accordance with the Company's credit policy, new customers are reviewed for creditworthiness before variations of standard payment and delivery terms and conditions are entered into. Individual credit terms are set and monitored regularly.

With respect to financial assets past due but not impaired there are no indications that counterparties will be unable to meet their obligations. Furthermore, no indications of default are recognisable for financial assets that are past due but not impaired.

Foreign currency sensitivity

The Company has minimal exposure to currency fluctuations as all trades are immediately hedged with counterparties

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

16. Financial risk management objectives and policies (continued)

Liquidity risk

The daily settlement flows in respect of both financial asset and financial liability spot and forward contracts require adequate liquidity which is provided through intra-day settlement facilities.

The Company manages its capital structure, in conjunction with other members of its Group of companies, and makes adjustments to it, in light of changes in economic conditions.

The table below analyses the Company's gross, undiscounted financial liabilities by their contracted maturity date. The Directors Note that in respect of option contracts sold to customers, the Company's business model is to match the transactions as closely as possible with transactions with counterparties i.e. to act as a matched principal broker.

£000	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 Year	Total 30 June 2022
Trade and other payables	1,787	-	-	-	1,787
Derivative financial liabilities	142	3	281	-	426

£000	On demand and within 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 1 Year	Total 30 June 2021
Trade and other payables	1,478	-	-	-	1,478
Derivative financial liabilities	85	101	764	4	954

Operational risk

Operational risk is defined as the risk arising from within the organisation from inadequate or failed internal processes, inadequately designed or maintained systems, inappropriate staffing levels or inadequately skilled or managed people. Operational risk exposures are identified, managed and controlled by management, both within the Company and – via intra-group management agreements – exercised by management in other Group entities. Internal controls include the segregated operations function structure and delegation of authority within authorised limits. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss. The Company's operational budgets include appropriate investment levels to ensure that critical systems and processes are maintained, that customer data is protected and that staff are properly trained and developed.

Regulatory and compliance risk

The Company has access to a dedicated central Group team to set policy and ensure compliance with Anti-Money Laundering (AML) and other legal, regulatory and licensing requirements. The Company's compliance providers, in conjunction with external advisers, advises on the CASS regulatory environment in which the Company operates and provides advice on any measures required to maintain operating licenses as appropriate.

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

17. Share capital

		30 June 2022		30 June 2021
	No.	£000	No.	£000
Allotted, called up and fully paid				
Ordinary shares of £1 each	410,000	410	410,000	410
		<u>410</u>		<u>410</u>

18. Related party transactions

	30 June 2022	30 June 2021
	£000	£000
Amounts owed to:		
Currencies Direct Solutions Pte	1	1
Currencies Direct Limited	1,754	1,290
Total	1,755	1,291

	2022	2021
	£000	£000
Management Service Charges:		
Currencies Direct Limited	22	43
Currencies Direct Solutions Pte	6	6

Currencies Direct Financial Markets Limited

Notes to the financial statements

for the year ended 30 June 2022

19. Commitments and contingencies

Commitments

All derivative commitments of the Company are recognised at the balance sheet date. In the opinion of the Directors, the Company's liability to its bankers in respect of outstanding currency transactions was fully covered by monies received and among receivable from clients.

Legal claim contingencies

The Company is involved in a small number of commercial disputes with customers which are not considered to be material and are not expected to adversely affect its business.

20. Events after the statement of financial position date

There are no events to disclose subsequent to the financial position date

21. Parent Company and ultimate controlling party

The Company is a wholly owned subsidiary of Currencies Direct Limited, a company incorporated in England and Wales. The Company's ultimate parent undertaking, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared is CD Topco Limited, a Company incorporated in Jersey.

The parent that heads the smallest group of undertakings for which consolidated financial statements are prepared is Currencies Direct Holdings Limited, a company registered in the United Kingdom. Copies of the consolidated financial statements can be obtained from One Canada Square, Canary Wharf, London, E14 5AA.