

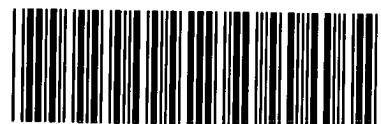
Registered number: 06323311

The Currency Cloud Limited

Annual report and financial statements

For the year ended 31 December 2021

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THE CURRENCY CLOUD LIMITED

Contents

	Page
Company Information	1
Strategic report	2
Directors' report	5
Independent auditors' report to the members of The Currency Cloud Limited	8
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the financial statements	14

THE CURRENCY CLOUD LIMITED

Company Information

Directors	M Laven J Hoffmeister (appointed 20th December 2021) R Livingston (appointed 20th December 2021)
Company Secretary	Abogado Nominees Limited
Registered number	06323311
Registered address	100 New Bridge Street London EC4V 6JA
Independent auditors	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB

THE CURRENCY CLOUD LIMITED

Strategic report

For the year ended 31 December 2021

Introduction

The directors have pleasure in presenting their Strategic report on The Currency Cloud Limited (the Company) for the year ended 31 December 2021. The directors' aim is to present a balanced and comprehensive review of the development and performance of the Company's business during the year and its position at the year end. The review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties that the Company faces.

The Currency Cloud Limited (the Company) is a FCA regulated Electronic Money Institution providing cross border payment and FX services to a range of customers in the financial services industry. Additionally, the Company has contractual agreements with various banking providers to procure payment and FX conversion services.

The Company is part of the group of companies which composed of The Currency Cloud Group Limited and its subsidiaries (the Group). The Company is responsible for providing many of the regulated services offered by the Group, and as such earns a significant proportion of the Group's revenue. Given its key role within the Group, the directors deem it appropriate for the Company's business review to be prepared on the basis of the Group's consolidated performance.

Business Environment & Principal Activities

2021 saw continued growth for digital payment companies. The continued impact of COVID-19 meant continued acceleration towards digital payment services. As a business that principally focuses on providing digital cross-border financial services, the Group has witnessed the effects of this shift first-hand. Currencycloud are the experts simplifying business in a multi-currency world, and we see the shift in digitalisation driving the next wave of Fintech innovation, as payments become increasingly embedded and unbundled from the banking system. The Group offers embedded financial services to other financial service providers who are looking to offer cross-border products and services. With leading-edge cloud native technology and everything from virtual wallets to the ability to send and receive multi-currency payments, the Group facilitates seamless money movement around the world.

As a result of the past year and growth experienced, the Group has built and continues to strengthen its proprietary cross-border technology infrastructure for future stars of financial services. The world of cross-border payments is complex, highly regulated and has high barriers to entry as a result. The Group's vision is for its technology to simplify this, and in doing so positively impact millions of people and businesses.

The Group's technology enables customers to embed cross-border solutions into their customer experience and move money more simply, faster and at a lower cost.

Embedded finance is fast becoming the newest layer in the modern technology stack and the Group is quickly emerging as a leader in providing embedded B2B cross-border solutions - Angela Strange at VC firm Andreessen Horowitz has asserted that in the future "every company will be a fintech company" because every company will be able to embed financial services. We are definitely seeing this become reality.

The Group serves Banks, FinTech companies and other financial institutions looking to build or enhance their cross-border offering. These companies are re-imagining how money flows around the digital economy and are building significant market share, displacing traditional players. With four different modules on offer - collect, convert, pay, manage - and a route to market through either the Group's direct platform or APIs, clients are able to cover the entire workflow of B2B payments, providing them clarity in what is a traditionally opaque market. The market potential is huge with significant opportunity for growth. By providing the infrastructure to a wide range of firms, the Group is well positioned to benefit from the shift to alternative payment methods.

Business Review

In spite of the global pandemic, 2021 has been a year of growth and success for the Group. Annual payment value has increased to £25.1bn (2020: £13.6bn). Group headcount grew by 60% to 420 employees (2020: 263), and the Company maintained its move as a remote-first company, investing significantly to embrace flexible working on a permanent basis, supporting staff to work from home and refurbishing offices to optimise for

THE CURRENCY CLOUD LIMITED

Strategic report (continued)

For the year ended 31 December 2021

collaboration. Global expansion continued with the opening of an office in Singapore and the establishment of an on-the-ground team that included the appointment of a Managing Director for APAC.

The Group, whose clients already include many leading Fintechs and financial institutions (e.g. Starling Bank, Revolut, Penta and Visa), at year end had over 500 customers using its platform. Growth was particularly notable in North America and Asia where clients including Alviere and Unit were brought onboard.

The Group also continued to expand its partnership ecosystem, to enhance customer journeys, increase lead generation, and complement Currencycloud services with adjacent offerings. Ecosystem partner relationships expanded to include Integrated Finance, Drivewealth, Unit, Transact Payments, among others. In addition the partnership ecosystem includes developed relationships with consultancies such as Elixirr and Thistle Initiatives that provide regulatory and consulting services to prospective and existing clients

Product innovation and global expansion continue to be the cornerstones of our growth.

As the year closed it was confirmed on 20 December 2021 that Visa Inc. had agreed to acquire the Group for £700m.

The Board is pleased to report that, despite a challenging year with the continued COVID-19 pandemic, the value of payments processed through the Groups's platform has continued to grow, increasing by 84% to £25.1bn (2020: £13.6bn). Turnover increased by 70% to £60,104k (2020: £35,432k) and gross profit by 48% to £32,548k (2020: £21,954k). Administrative expenses at £30,252k (2020: £19,089k) increased 58% driven by continued investment to drive growth. An operating profit of £2,296k (2020: £2,865k) was made in 2021.

The Company has net assets as at 31 December 2021 of £13,150k (2020: £10,846k). Cash and cash equivalents as at the balance sheet date are £27,703k (2020: £37,697k). Of this cash balance £10,947k (2020: £8,000k) is insured client money used for operational liquidity purposes. Further details of this arrangement are given in Note 12 of the Financial statements.

Other KPIs monitored by the business on an ongoing basis are the Employee Net Promoter Score which increased to 62 (2020: 60) when measured in September 2021, and customer count which increased by 115 to 567 (2020: 452).

Section 172 Statement

The directors deem it appropriate for the Company's Section 172 statement to be prepared on the basis of the Group's consolidated performance and delivers the same statement as that disclosed in the Group financial statements.

Section 172 of the Companies Act statement is discussed on page 4 in the Group's consolidated financial statements copies of which are available from the company secretary Abogado Nominees Limited, 100 New Bridge Street, London, EC47 6JA.

Principal risks and uncertainties

The Company is committed to operating appropriate governance for a business of its size and activities. Its risk appetite is set by the Board. The Company is committed to delivering growth and innovation without exposing customers to unacceptable risks.

Principal risks

The principal risks and uncertainties that the Company encounter include risks from: non-compliance with laws and regulations, banking partner activities, systems interruptions, operational errors occurring in the act of processing client transactions, cyber threats and foreign exchange exposures related to extreme rate fluctuations.

The Company continues to take steps in preventing and managing these risks including implementing comprehensive processes in respect of its technology platform and operations along with working with multiple service providers, in particular its banking partners. In respect of foreign exchange risks, this is managed by operating robust processes to monitor and manage exchange rate volatility and manage open exposures.

THE CURRENCY CLOUD LIMITED

Strategic report (continued)

For the year ended 31 December 2021

Regulatory risk

The Company operates in an industry subject to extensive and comprehensive regulation which has seen much change in recent years. As a result, the potential risk of non-compliance with laws and regulations increases as the Company both expands its regulatory footprint and the degree of scrutiny over the industry increases in the jurisdictions where licenses are already held. In particular, this includes the risk that the Company would execute payments on behalf of customers which contravene anti-money laundering or terrorist financing legislation.

The risk is mitigated by the robust policies and procedures currently in place for making Know Your Client checks, transaction monitoring and sanction screening using third party and proprietary data where appropriate. In addition, there are procedures for reporting suspicious transactions to the relevant bodies when detected. The Compliance function is adequately resourced in terms of staff and systems in order to fulfil its role and management provide regular updates to the Directors on its performance. Further details on the risks faced by the Company can be found in the Directors' report.

Political uncertainties

There are uncertainties from global political changes, for example increased restrictions on access to the EU market as a result of the UK's departure from the European Union, as well as talent acquisition and retention. In response to these potential challenges the Company has acquired a regulatory license in the Netherlands and also now has access to a further talent pool as a result.

COVID-19

The COVID-19 virus has presented a number of challenges however the Company's priority has been the health and safety of its employees while continuing to serve our clients to the same high standard. The Company transitioned, ahead of the mandated government lockdown, to a mandatory remote working policy to ensure the wellbeing of all our colleagues while keeping business disruption to a minimum. The Company continues to support employees working remotely via a number of mental health initiatives.

The Company's business model provides confidence that it will be able to weather the ongoing market volatility and uncertainty caused by COVID-19. It serves a diverse range of customers across a variety of sectors and geographies and while certain sectors will undoubtedly be negatively impacted this will not be the case for all. The Company has a strong, liquid balance sheet and will be able to cope with any reasonable downturn in markets.

This report was approved by the board and signed on its behalf on 28 September 2022.

DocuSigned by:

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M Laven
Director

THE CURRENCY CLOUD LIMITED

Directors' report

For the year ended 31 December 2021

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

Principal activities

The Currency Cloud Limited is a private limited company, which is limited by shares and incorporated in England. The address of the registered office is 100 New Bridge Street, London, EC4V 6JA. The Company is a wholly owned subsidiary of The Currency Cloud Group Limited (the Group). The principal activity of the Group is that of a dedicated provider of international payments and currency conversion services via the Group's in-house developed technology. This platform is primarily offered to white label partners as well as through an Application Program Interface (API).

Directors

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

M Laven

J Hoffmeister (appointed 20th December 2021)

R Livingston (appointed 20th December 2021)

F Tee (resigned 20th December 2021)

S Lemon (resigned 20th December 2021)

Results and dividends

The profit for the year, after taxation, amounted to £2,304k (2020: £2,892k).

The Company has not paid an interim dividend (2020: £nil) and the Directors do not recommend the payment of a final dividend (2020: £nil).

Future developments

Given its key role within the Group, the directors deem it appropriate for the Company's future development review to be prepared on the basis of the Group's consolidated performance.

The growth experienced in 2021 is expected to continue and accelerate in the coming years. The Group's investments will fuel future expansion, including opening an office in Australia in 2022 and obtaining further regulatory licences to operate in the Asia-Pacific region. Alongside geographic growth, the Group is planning to further develop its product offering to strengthen and expand on the advancements made in 2021.

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. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Risk management

In the course of its business operations, the Company is exposed to a variety of risks including operational, financial, liquidity and credit risk. The Company's risk management policy seeks to mitigate and minimise the potential impact on the business' performance.

Operational Risk

This is the risk of a direct or indirect loss resulting from inadequacies or failures in project, processes or controls due to technology, staff, organisations or external factors.

THE CURRENCY CLOUD LIMITED

Directors' report (continued)

For the year ended 31 December 2021

To monitor and control operational risk, the Company maintains a system of comprehensive policies and control frameworks which are designed to provide a sound and well controlled operational environment.

Financial Risk

The key financial risk for the Company is foreign currency risk arising through the provision of foreign exchange services and the risk of extreme fluctuations. The Company manages this by fully hedging foreign exchange conversions offered to clients at its liquidity providers. Collateral is taken from clients when forward transactions are entered into and is managed by operating robust processes to monitor and manage exchange rate volatility in regard to open exposures.

Liquidity Risk

Liquidity risk is the risk of insufficient liquid funds being available to meet the Company's working capital requirements. The Company manages this by modelling cash flow forecasts covering a range of scenarios to ensure there is sufficient cash to meet its forward operational needs. Additionally, it monitors its liquidity levels and any regulatory capital requirements within its subsidiaries.

Credit Risk

Credit risk is the financial loss that arises if a customer or party fails to meet its contractual obligations. The Company has robust policies in place to review substantial credit exposures prior to entering into a transaction and for the ongoing monitoring of positions.

The Company's credit risk is attributable to its trade debtors, whose outstanding balance is closely monitored. The Company holds cash and deposits with banks and financial institutions and will assess the credit quality of the partner, taking into account past and current factors in managing its risk.

Compliance Risk

Compliance risk is the risk of non-compliance with the anti-money laundering, safeguarding, capital adequacy requirements and terrorism financing laws the Company is subject to, which could result in loss of either its Financial Conduct Authority license to operate as an Electronic Money Institution or financial penalty. The Company manages this risk by having robust procedures, systems and controls to mitigate this risk.

Cybersecurity and Data Privacy Risk

This is the risk of a loss occurring as a result of a failure to adequately restrict access to systems and data as well as having inappropriate or outdated technology infrastructure which does not support the Company's operations. The Company handles a large amount of personal data on behalf of our customers and must adhere to stringent data protection regulations. The Company manages this risk by implementing systems and controls to mitigate the risk, periodically testing these measures and holding training sessions with all staff.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue operating for at least the next 12 months. Visa Open Connect Limited have provided further funding since acquiring the Group via a series of equity injections and Visa International Service Association have provided a letter confirming its intention to continue providing this support for at least 12 months from the approval of these financial statements. The Company's immediate parent, The Currency Cloud Group limited, have also provided a letter confirming its intention to continue providing this support for at least 12 months from the approval of these financial statements. Accordingly, the Directors consider that it is appropriate to prepare the Company's financial statements on a going concern basis.

THE CURRENCY CLOUD LIMITED

Directors' report (continued)

For the year ended 31 December 2021

Streamlined Energy and Carbon Reporting

Given its key role within the Group, the directors deem it appropriate for the Company's Energy and Greenhouse Gas Report to be prepared on the basis of the Group's consolidated performance. This can be found on page 8 in the Group's consolidated financial statements copies of which are available from the company secretary Abogado Nominees Limited, 100 New Bridge Street, London, EC4V 6JA.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

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

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

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

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 group's and 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.

This report was approved by the board and signed on its behalf on 28 September 2022.

DocuSigned by:

Michael Laven

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M Laven
Director

THE CURRENCY CLOUD LIMITED

Independent auditors' report to the members of The Currency Cloud Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Currency Cloud Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- a. give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- b. have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- c. have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- a. 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
- b. the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

THE CURRENCY CLOUD LIMITED

Independent auditors' report to the shareholders of The Currency Cloud Limited (continued) For the year ended 31 December 2021

Matters on which we are required to report by exception

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

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

- a. adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- b. the financial statements are not in agreement with the accounting records and returns; or
- c. certain disclosures of directors' remuneration specified by law are not made; or
- d. 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 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

THE CURRENCY CLOUD LIMITED

Independent auditors' report to the shareholders of The Currency Cloud Limited (continued)

For the year ended 31 December 2021

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities.

The most significant laws and regulations that have an indirect impact on the financial statements are the rules and principles set by the Financial Conduct Authority (FCA) as regulator for the financial services industry in the UK. We performed audit procedures to inquire of management whether the company is in compliance with these laws and regulations. We inspected compliance documentation and correspondence with the FCA as well as considering compliance with the conditions for authorization and other regulatory conditions.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. For revenue testing, we have carried out data analytics procedures and for a sample of transactions, have traced back to underlying documentation.

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

Use of our report

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



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

Date: 29 September 2022

THE CURRENCY CLOUD LIMITED

Statement of comprehensive income
For the year ended 31 December 2021

		2021	2020
	Note	£'000	£'000
Revenue	4	60,104	35,432
Cost of sales		<u>(27,556)</u>	<u>(13,478)</u>
Gross profit		32,548	21,954
Administrative expenses		<u>(30,252)</u>	<u>(19,089)</u>
Operating profit	5	2,296	2,865
Finance income	9	<u>8</u>	<u>28</u>
Profit before taxation		2,304	2,893
Tax on profit	10	<u>—</u>	<u>(1)</u>
Profit for the financial year		<u>2,304</u>	<u>2,892</u>

There was no other comprehensive income for 2021 (2020: £nil).

The Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 to 23 are an integral part of these financial statements.

THE CURRENCY CLOUD LIMITED


Statement of financial position
As at 31 December 2021

Company Registration number: 06323311

	Note	2021 £'000	2020 £'000
Current assets			
Debtors: amounts falling due within one year	11	192,139	129,183
Cash at bank	12	<u>27,703</u>	<u>37,697</u>
		219,842	166,880
 Creditors: amounts falling due within one year	 13	 (206,692)	 (156,034)
 Net assets		 <u>13,150</u>	 <u>10,846</u>
 Capital and reserves			
Called up share capital	15	5,850	5,850
Profit and loss account	16	<u>7,300</u>	<u>4,996</u>
Total equity		<u>13,150</u>	<u>10,846</u>

The notes on pages 14 to 23 are an integral part of these financial statements.

The financial statements on pages 11 to 23 were authorised for issue by the Board of Directors on and signed on its behalf on 28 September 2022.

DocuSigned by:

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M Laven
Director

THE CURRENCY CLOUD LIMITED

Statement of changes in equity
For the year ended 31 December 2021

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance as at 1 January 2020	850	2,104	2,954
Profit for the year	—	2,892	2,892
Total comprehensive income for the year	—	2,892	2,892
Transactions with owners in their capacity as owners;			
Shares issued during the year	5,000	—	5,000
Total transactions with owners	5,000	—	5,000
At 31 December 2020	5,850	4,996	10,846
At 1 January 2021	5,850	4,996	10,846
Profit for the year	—	2,304	2,304
Total comprehensive income for the year	—	2,304	2,304
At 31 December 2021	5,850	7,300	13,150

The notes on pages 14 to 23 are an integral part of these financial statements.

THE CURRENCY CLOUD LIMITED

Notes to the financial statements For the year ended 31 December 2021

1. General information

The Currency Cloud Limited ('the Company') provides international payments and currency conversion services via in-house developed technology. This platform is offered as a white label user interface to partners as well as being offered as an Application Program Interface (API).

The Company is a private limited company, which is limited by shares and incorporated in England. The address of the registered office is 100 New Bridge Street, London, EC4V 6JA. The Company is a wholly owned subsidiary of the Currency Cloud Group Limited.

2. Accounting policies

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. Accounting policies have been applied consistently for all years unless otherwise stated.

The following principal accounting policies have been applied:

2.1. Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention, except where balance sheet items have been measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000 except where otherwise stated.

2.2. Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue operating for at least the next 12 months. Visa Open Connect Limited have provided further funding since acquiring the Group via a series of equity injections and Visa International Service Association have provided a letter confirming its intention to continue providing this support for at least 12 months from the approval of these financial statements. The Company's immediate parent, The Currency Cloud Group limited, have also provided a letter confirming its intention to continue providing this support for at least 12 months from the approval of these financial statements. Accordingly, the Directors consider that it is appropriate to prepare the Company's financial statements on a going concern basis.

2.3. Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue comprises platform usage fees, transactional fees and commissions. Revenue from arranging forward contracts in foreign exchange are recognised on the date of trade execution. This revenue is included in accrued income until the settlement date of the transaction. Platform usage fees are monthly fees which are recognised in the month in which they are provided. Transactional fees and commissions are recognised on the date of transaction execution. Where a customer has prepaid for services, this payment is recognised as deferred income and recognised over the period the service is delivered.

THE CURRENCY CLOUD LIMITED

Notes to the financial statements (continued) For the year ended 31 December 2021

2.4. Cost of sales

Cost of sales comprises payment fees, commission paid to partners and market costs for cancelling and amending the settlement dates of forward contracts in foreign exchange. Cost of sale from arranging forward contracts in foreign exchange are recognised on the date of trade execution. This cost of sale is accrued on the balance sheet until the settlement of the transaction. Payments fees are recognised at the same time the corresponding transaction fee is recognised in income.

2.5. Trade debtors

Trade debtors are measured at transaction price, less any impairment for amounts believed to be irrecoverable.

2.6. Cash at bank

Cash at bank comprises demand deposits and cash held in deposit notice accounts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Cash held in deposit notice accounts have a 32-day notice period. If notice is given of withdrawal, interest is paid at 0.15% below the Bank of England Base Rate. The balance in deposit notice accounts at the year end was £250k (2020: £10,034k).

The Company holds client money on behalf of clients in accordance with client money rules of the Financial Conduct Authority (firm reference number: 900199). Client monies held in segregated bank accounts in accordance with regulations and the corresponding liabilities to these clients are not recognised in the balance sheet because these monies are held in trust and the Company is not beneficially entitled to them. Where client monies have been insured and drawn down to be used for operational liquidity, they have been recognised on the balance sheet as cash. The amount of these monies is disclosed in Note 12.

2.7. Financial instruments

In respect of recognition and measurement of financial instruments section 11 and 12 of FRS102 have been applied.

(i) Financial assets

Basic financial assets, including trade debtors, other debtors, accrued income, amounts owed by group undertakings and cash and bank balances are initially recognised at transaction price less impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at a present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Where the entity has foreign exchange forward contracts open at the balance sheet date, these positions are marked to market to arrive at their fair value.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

THE CURRENCY CLOUD LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2021

(ii) Financial liabilities

Basic financial liabilities, including trade payables, other payables, amounts owed to group undertakings, accruals and client money are initially recognised at transaction price. Where the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of comprehensive income within Administrative expenses.

Amounts payable to clients comprise amounts received in advance from clients in respect of foreign currency transactions prior to the maturity date of a trade, currency owed to clients post maturity date awaiting settlement, and the market movements on client open trades.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2.8. Creditors

Short term creditors are measured at the transaction price.

2.9. Foreign currency translation

(i) Functional and presentation currency

The Company's functional and presentational currency is pounds sterling and rounded to thousands.

(i) Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

2.10. Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, holiday pay, defined contribution pension plans and employee stock options.

(i) Defined contribution pension plan

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

THE CURRENCY CLOUD LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2021

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in creditors as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

(ii) Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

(iii) Annual bonus

The Company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

2.11. Interest Income

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

2.12. Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable loss for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. It is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

2.14. Share capital

Ordinary shares are classified as equity.

2.15. Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- a. the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv),
- b. the requirements of Section 7 Statement of Cash Flows,
- c. the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d),
- d. the requirements of Section 33 Related Party Disclosures paragraph 33.7.

THE CURRENCY CLOUD LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2021

This information is included in the consolidated financial statements of The Currency Cloud Group Limited as at 31 December 2021 and these financial statements may be obtained from The Stewardship Building 1st Floor, 12 Steward Street, London, E1 6FQ.

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgments in applying the entity's accounting policies

(i) Segregated client money accounts

Assessing whether segregated client money accounts, and the corresponding liability to return these funds to clients, is required to be reflected in the Company's Statement of financial position requires judgement. The directors have concluded that the criteria for recognition as an economic asset of the Company have not been met, namely the receipt of economic benefit from funds in these financial statements, therefore have not recognised within the financial statements. Disclosure has been made of the amount in Note 12 to the financial statements.

Client money that has been insured and used for operational liquidity has been brought on balance sheet as it is considered the Company has an economic benefit from the funds. The amount of client money insured at 31 December 2021 was £10.9m (2020: £8.0m). If client money not used to provide operational liquidity was deemed to have met the recognition criteria, the result would be an additional £472m (2020: £193m) would be included in cash at bank.

(i) Recoverability of intercompany receivables from The Currency Cloud Services Limited

As part of its impairment review of intercompany receivables, the directors have assessed the ability of companies within the Group to repay intercompany amounts owed on demand to the Company. With respect to the intercompany debtor the Company is owed by The Currency Cloud Services Limited (TCCSL) of £101,832k (2020: £69,430k), the directors acknowledge that TCCSL is loss making and has negative cashflows. The Directors consider that the recoverability of this balance is dependent on TCCSL being provided with a guarantee by its Parent, The Currency Cloud Group Limited who in turn have been provided with a guarantee by Visa International Service Association. The Directors do not consider the recoverability of any other intercompany receivables as being a critical judgement.

4. Revenue

An analysis of revenue of business is as follows:

	2021 £'000	2020 £'000
Platform usage fee	23,146	16,065
Commission receivable	27,059	13,677
Transactional fee	9,836	5,690
Intercompany revenue	63	—
Total Revenue	60,104	35,432

THE CURRENCY CLOUD LIMITED

Notes to the financial statements (continued)**For the year ended 31 December 2021****An analysis of revenue by geography is as follows:**

	2021 £'000	2020 £'000
United Kingdom	42,185	23,586
Continental Europe	7,165	5,947
Asia - Pacific	4,439	2,309
Americas	6,167	3,263
Africa	148	327
Total Revenue	60,104	35,432

5. Operating profit

	2021 £'000	2020 £'000
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The operating profit is stated after charging/(crediting):

Fees payable to the Group's auditors and their associates for the audit of the Company's annual financial statements	90	43
Foreign exchange (gains)/losses	492	557
Impairment of trade debtors	29	79

6. Employee costs

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

	2021 £'000	2020 £'000
Wages and salaries	6,902	4,442
Social security costs	819	581
Other pension costs	275	183
	7,996	5,206

7. Employee numbers

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

	2021 No.	2020 No.
Sales	81	56
	81	56

THE CURRENCY CLOUD LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2021

8. Directors' remuneration

	2021 £'000	2020 £'000
Directors' emoluments	903	895
	<u>903</u>	<u>895</u>

The directors of the Company receive all their remuneration from another Group entity, The Currency Cloud Services Limited. 100% (2020: 24%) of the Director's emoluments disclosed above in this note are recharged to the Company based on transfer pricing activities across the Group.

The highest paid director received remuneration of £385k (2020: £340k). Company contributions to money purchase pension schemes on behalf of the directors was £8k (2020 £8k), the highest paid director did not receive this.

9. Finance income

	2021 £'000	2020 £'000
Interest receivable	8	28
	<u>8</u>	<u>28</u>

10. Tax on profit

	2021 £'000	2020 £'000
Corporation tax		
Current tax on profit for the financial year	—	1
Total current tax	<u>—</u>	<u>1</u>

Factors affecting tax charge for the year

The charge for the financial year can be reconciled to the loss per the Statement of comprehensive income as follows:

	2021 £'000	2020 £'000
Profit before tax	<u>2,304</u>	<u>2,893</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	438	550
Effects of:		
Expenses not deductible	1	2
Group relief claimed	(435)	(559)
Deferred tax not provided	<u>(4)</u>	<u>8</u>
Total tax charge for the financial year	<u>—</u>	<u>1</u>

THE CURRENCY CLOUD LIMITED

Notes to the financial statements (continued)
For the year ended 31 December 2021

11. Debtors

	2021 £'000	2020 £'000
Due within one year		
Trade debtors	4,155	2,322
Amounts owed by group undertakings	168,161	109,504
Other debtors	1,408	476
Collateral held at trading counterparty	6,754	6,769
Derivative financial assets	7,769	7,563
Prepayments	151	231
Accrued income	3,741	2,318
	<u>192,139</u>	<u>129,183</u>

Amounts owed by group undertakings are repayable on demand and do not bear any interest.

12. Cash at bank

	2021 £'000	2020 £'000
Cash at bank	<u>27,703</u>	<u>37,697</u>
	<u>27,703</u>	<u>37,697</u>

Excluded from the cash at bank is an amount of £471,977k (2020: £193,267k) held in segregated client accounts subject to FCA safeguarding restrictions. In accordance with the Company's accounting policies, these funds are not deemed to have met the criteria for recognition.

Included in the cash at bank is insured client money of £10,947k (2020: £8,000k) that has been insured and used for operational liquidity. This insurance policy means that were the Company to become insolvent (as described in section 22 of the Electronic Money Regulations 2011 (EMR 2011), any shortfall up a limit of £27,000k (2020: £10,000k) in relevant funds (as described in section 20 of the EMR 2011) would be paid by the insurer. As per the Company's accounting policies, these are deemed to have met the criteria for recognition.

THE CURRENCY CLOUD LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2021

13. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	2,226	1,169
Amounts owed to group undertakings	146,854	114,775
Taxation and social security	14,613	394
Other creditors	2,630	7,270
Amounts payable to clients	18,249	13,822
Client Money	10,947	8,000
Derivative financial liabilities	7,636	7,532
Accruals	1,150	486
Deferred income	2,387	2,586
	<u>206,692</u>	<u>156,034</u>

Amounts owed to group undertakings are repayable on demand and do not bear any interest.

Included in Taxation and social security is £13,200k in relation to payroll taxes incurred on the exercise on employee share options over the shares of the Company's immediate parent The Currency Cloud Group Limited (2020: £Nil).

14. Financial Instruments

Carrying amount of assets / (liabilities) carried at fair value

	2021 £'000	2020 £'000
Financial assets measured at fair value	7,769	7,563
Financial liabilities measured at fair value	(7,636)	(7,532)
	<u>133</u>	<u>31</u>

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency contracts. The financial derivative assets and liabilities are carried at their fair value.

At 31 December 2021 the fair value of forward exchange contracts in an asset position was £7,769k (2020: £7,563k) and the fair value of forward exchange contracts in a liability position was £7,636k (2020: £7,532k).

The Group entered into certain foreign exchange swap contracts to manage its operational liquidity. The fair value of these contracts at 31 December 2021 was £133k (2020: £31k).

15. Called up share capital

Allotted, called up and fully paid	Number of shares		2021 £'000	2020 £'000
	2021	2020		
Class and nominal value				
Ordinary shares of £1.00 each	5,850,000	5,850,000	5,850	5,850
	<u>5,850,000</u>	<u>5,850,000</u>	<u>5,850</u>	<u>5,850</u>

THE CURRENCY CLOUD LIMITED

Notes to the financial statements (continued) For the year ended 31 December 2021

This represents the nominal value of shares that have been issued by the Company.

16. Profit and loss account

This reserve comprises all current and prior year retained profits.

17. Pension commitments

The Company operates a defined contribution pension scheme. The pensions cost charge represents contributions payable by the Company to the fund and amount to £275k (2020: £183k). As at 31 December 2021, £168k (2020: £113k) was outstanding.

18. Related party transactions

The Company has taken advantage of the exemption provided by Section 33 Related Party Disclosures paragraph 33.1A of Financial Reporting Standard 102 from disclosing related party transactions entered into between the Company and other Group companies, where the subsidiary undertaking is wholly owned by a member of the Group.

Included within Trade debtors is £109k receivable from Visa Europe Limited and included within Trade Payables is £30k payable to the same entity. Visa Europe Limited subsidiary of Visa Open Connect Limited who acquired the Company's immediate parent, The Currency Cloud Group Limited, on the 20th December 2021. The associated services were provided prior to Visa Europe Limited becoming a related entity.

19. Ultimate controlling party

The immediate parent undertaking and the smallest and largest Group to consolidate these financial statements is The Currency Cloud Group Limited. Copies of The Currency Cloud Group Limited consolidated financial statements can be obtained from the Company Secretary at 100 New Bridge Street, London, EC4V 6JA.

The ultimate controlling party is Visa Inc., a company incorporated in the United States of America. Visa Inc. became the ultimate controlling party when its subsidiary Visa Open Connect Limited (a company incorporated in the UK) acquired a controlling share of the share capital of The Currency Cloud Group Limited on 20 December 2021.

20. Post balance sheet events

The Currency Cloud Group Limited purchased 2,000,000 shares in the Company for a consideration of £2m on 28 July 2022 and 4,500,000 shares for a consideration of £4.5m on 28 July 2022.