

Registered number: 06333730

LUMON RISK MANAGEMENT LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2023

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LUMON RISK MANAGEMENT LTD

COMPANY INFORMATION

Directors

M J P England
J J Guest
I McCaig
L E Bridger
V M Darvey
N J Haslehurst

Registered number

06333730

Registered office

40 Holborn Viaduct
London
England
EC1N 2PB

Independent auditors

Barnes Roffe LLP
Chartered Accountants & Statutory Auditors
3 Brook Business Centre
Cowley Mill Road
Uxbridge
Middlesex
UB8 2FX

LUMON RISK MANAGEMENT LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2023

Introduction

The directors present their Strategic report for the year ended 31 October 2023.

The principal activity of the company in the financial year under review was to provide foreign exchange and international payment services to corporate clients.

Business review

2023 saw a strong year of revenue growth as the firm continued to focus on acquiring and servicing clients under its investment licence. Revenue for the year increased by 118% to £1.87m supporting an increase in shareholders funds of £1.7m. This material increase in capital will enable the firm to continue to grow and broaden its structured product offering in the coming years.

The company's key performance indicators are:

	2023 (£)	2022 (£)
Revenue	1,868,679	856,635
EBITDA	1,400,292	53,913
Cash	5,021,151	13,874,558 (as restated)
Shareholders' funds	4,082,363	2,353,830

The directors have assessed the challenges, threats and opportunities presented by the prevailing economic climate, the changing regulatory landscape and market dynamics and consider that the company is well positioned to continue operations beyond October 2023 with continued investment in people and product to further improve our client acquisition, retention and to accelerate growth.

LUMON RISK MANAGEMENT LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2023

Principal risks and uncertainties

The directors have established an Enterprise Risk Management Framework which considers new and emerging risks and the continuous monitoring and assessment of identified business risks. The risk framework and supporting policies and procedures support the Company's strategy and growth objectives and management of risks within risk appetite. The Board Risk, Assurance and Compliance Committee provides oversight of the Company's key risks comprising market risk, credit risk, regulatory risk, operational risk, and liquidity risk.

Market risk

Market risk is the risk of financial loss through un-hedged or mismatched asset and liability positions that are sensitive to interest rates or currencies. The Company runs immaterial market risk in relation to currency risk and interest rate risk against forward foreign exchange positions as trades are executed on a matched principal broker basis.

Credit risk

The Company runs credit risk in relation to customers or counterparties who fail to honour their obligations to the Company in accordance with agreed terms. Credit risk arises when the amount owed by a customer or counterparty exceeds the deposit or collateral placed with the Company. This is mitigated through the Company's concentration risk framework which considers exposure to individual companies sectors or jurisdictions, and credit underwriting and assessment processes which set and monitor customer credit limits and margin requirements daily, and ongoing monitoring of the suitability of banking counterparties.

Regulatory risk

The Company operates in a regulatory environment which is characterised by changing legislation and regulation which may impact on the Company's businesses in the UK and overseas. The Company's Risk and Compliance function undertakes appropriate horizon scans to manage the introduction of new regulation and conducts periodic assurance reviews in relation to the compliance and control framework.

The Company has an inherent exposure to financial crime including fraud, money laundering, and the evasion of sanctions. To facilitate compliance with anti-money laundering (AML) and counter terrorism financing laws, the Company has developed and implemented a robust Financial Crime Prevention programme and each year commissions an independent audit to provide assurance over its effectiveness.

Operational risk

The Company runs operational risk in its day to day business operations. This may arise from failures in internal processes, people or systems which lead to potential or actual loss. The Company's operational resilience framework and associated procedures are designed to ensure that operating controls and oversight provide the right level of operational resilience and service delivery for our customers.

Liquidity risk

The Company manages its liquidity position to ensure that it has sufficient resources to enable it to meet its obligations as they fall due and can continue to service customers when market conditions are volatile. Stress testing of the Company's cash generation and funding profile alongside future commitments facilitates a robust approach to liquidity risk management. The company operates as a matched principal brokerage and its banking counterparties are essential for the services that the firm offers. These relationships are managed through the Chief Financial Officer to ensure that any of the business decisions which may impact on them are considered by the Executive and the Board.

LUMON RISK MANAGEMENT LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2023

Future developments

The Board will continue to monitor existing and emerging risks and monitor economic uncertainties affecting all businesses operating in a global economy and these will continue to influence strategy and performance in the years ahead. The Board will strive to build upon the progress achieved by the company, through continued focus on our clients and increased investment.

Directors' statement of compliance with duty to promote the success of the Company

As the Board of Lumon Risk Management Ltd, we have a legal responsibility under section 172 of the Companies Act 2006 to act in the way we consider, in good faith, would be most likely to promote the group's success for the benefit of its members as a whole, and to have regard to the long-term effect of our decisions on the company and its stakeholders, and in doing so have regard (amongst other matters) to:

- The directors have considered the reputation of the company with customers, employees and suppliers in their everyday decision making.
- The directors have taken into account the financial returns of future business and the best interests of the company when making strategic decisions.

The directors carefully consider the consequences of all projects, ensuring they are fully planned and costed, taking account of the potential financial returns as well as the wider impacts on the business and the environment. In addition, the company's operations continually strive for the minimum environmental impact.

This report was approved by the board on the 6th March 2024 and signed on its behalf.



L E Bridger
Director

LUMON RISK MANAGEMENT LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2023

The directors present their report and the financial statements for the year ended 31 October 2023.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Going concern assumption

The financial statements have been prepared on a going concern basis. The directors have considered the factors that impact the company's future development, performance, cash flows and financial position in forming their opinion on the going concern basis. The directors believe that the company has adequate resources to continue to operate and meet its obligations as they fall due for the foreseeable future and therefore the use of the going concern assumption remains appropriate.

Results and dividends

The profit for the year, after taxation, amounted to £1,728,533 (2022 - £90,021).

No ordinary dividends were paid in the current year or prior year. The directors do not recommend a payment of final dividend.

Directors

The directors who served during the year were:

C J Geall (resigned 31 July 2023)
M J P England
J J Guest
I McCaig
N J Haslehurst

LUMON RISK MANAGEMENT LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2023**

S Hodgson (resigned 31 March 2023)

On 30 November 2023, V M Darvey was appointed as a director.

Matters covered in the Strategic report

The company has chosen in accordance with the section 414C of the Companies Act 2006, to set out the following information which would otherwise be required to be continued in the Directors' report within the Strategic report; financial key performance indicators, and future developments in the business.

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no subsequent events that require disclosure or adjustments to the financial statements.

Auditors

The auditors, Barnes Roffe LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on the 6th March 2024 and signed on its behalf.



L E Bridger
Director

LUMON RISK MANAGEMENT LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUMON RISK MANAGEMENT LTD

Opinion

We have audited the financial statements of Lumon Risk Management Ltd (the 'Company') for the year ended 31 October 2023, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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:

- give a true and fair view of the state of the Company's affairs as at 31 October 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

LUMON RISK MANAGEMENT LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUMON RISK MANAGEMENT LTD (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime

LUMON RISK MANAGEMENT LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUMON RISK MANAGEMENT LTD (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, 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.

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.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with law and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We identified the laws and regulations applicable to the company through discussion with directors and other management, and from our commercial knowledge and experience of the relevant sector;
- The specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, are as follows:
 - Companies Act 2006.
 - FRS102.
 - Employment legislation.
 - Tax legislation.
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of management, reviewing board minutes and inspecting legal correspondence; and
- Laws and regulations were communicated within the audit team at the planning meeting, and during the audit as any further laws and regulation were identified. The audit team remained alert to instances of non-compliance throughout the audit.

LUMON RISK MANAGEMENT LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUMON RISK MANAGEMENT LTD (CONTINUED)

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur by:

- Making enquiries of management as to where they consider there was susceptibility to fraud and their knowledge of actual suspected and alleged fraud;
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;
- Reviewing the financial statements and testing the disclosures against supporting documentation;
- Performing analytical procedures to identify any unusual or unexpected trends or anomalies;
- Inspecting and testing journal entries to identify unusual or unexpected transactions;
- Assessing whether judgement and assumptions made in determining significant accounting estimates were indicative of management bias; and
- Investigating the rationale behind significant transactions, or transactions that are unusual or outside the company's usual course of business.

The areas that we identified as being susceptible to misstatement through fraud were:

- Management bias in the estimates and judgements made;
- Management override of controls; and
- Posting of unusual journals or transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

LUMON RISK MANAGEMENT LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUMON RISK MANAGEMENT LTD
(CONTINUED)

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 Auditors' 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.

Barnes Roffe LLP

Elliot S J Arwas (Senior statutory auditor)
for and on behalf of
Barnes Roffe LLP
Chartered Accountants & Statutory Auditors
3 Brook Business Centre
Cowley Mill Road
Uxbridge
Middlesex
UB8 2FX

Date: *8th March 2024*

LUMON RISK MANAGEMENT LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2023**

	Note	2023 £	2022 £
Turnover	4	1,868,679	856,635
Gross profit		<u>1,868,679</u>	<u>856,635</u>
Administrative expenses		(468,387)	(832,606)
Operating profit	5	1,400,292	24,029
Interest receivable and similar income	9	328,241	10,152
Interest payable and similar expenses	10	-	(4,315)
Profit before tax		<u>1,728,533</u>	<u>29,866</u>
Tax on profit	11	-	60,155
Profit for the financial year		<u><u>1,728,533</u></u>	<u><u>90,021</u></u>
Total comprehensive income for the year		<u><u>1,728,533</u></u>	<u><u>90,021</u></u>

The notes on pages 16 to 29 form part of these financial statements.

LUMON RISK MANAGEMENT LTD
REGISTERED NUMBER: 06333730

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2023

	Note	2023 £	As restated 2022 £
Current assets			
Debtors: amounts falling due within one year	12	17,231,739	8,448,284
Cash at bank and in hand	13	5,021,151	13,874,558
		<u>22,252,890</u>	<u>22,322,842</u>
Creditors: amounts falling due within one year	14	(18,170,527)	(19,969,012)
Net current assets		<u>4,082,363</u>	<u>2,353,830</u>
Total assets less current liabilities		<u>4,082,363</u>	<u>2,353,830</u>
Net assets		<u><u>4,082,363</u></u>	<u><u>2,353,830</u></u>
Capital and reserves			
Called up share capital	16	8,369	8,369
Share premium account	17	9,646,587	9,646,587
Profit and loss account	17	(5,572,593)	(7,301,126)
		<u>4,082,363</u>	<u>2,353,830</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

6th March 2024



L E Bridger
Director

The notes on pages 16 to 29 form part of these financial statements.

LUMON RISK MANAGEMENT LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2023**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 November 2022	8,369	9,646,587	(7,301,126)	2,353,830
Comprehensive income for the year				
Profit for the year	-	-	1,728,533	1,728,533
Total comprehensive income for the year	-	-	1,728,533	1,728,533
At 31 October 2023	8,369	9,646,587	(5,572,593)	4,082,363

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2022**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 November 2021	8,369	9,646,587	(7,391,147)	2,263,809
Comprehensive income for the year				
Profit for the year	-	-	90,021	90,021
Total comprehensive income for the year	-	-	90,021	90,021
At 31 October 2022	8,369	9,646,587	(7,301,126)	2,353,830

The notes on pages 16 to 29 form part of these financial statements.

LUMON RISK MANAGEMENT LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2023**

	2023	<i>As restated</i>
	£	2022
		£
Cash flows from operating activities		
Profit for the financial year	1,728,533	90,021
Adjustments for:		
Depreciation of tangible assets	-	29,884
Interest payable	-	4,315
Interest receivable	(328,241)	(10,152)
Taxation charge/(credit)	-	(60,155)
(Increase) in debtors	(7,154,786)	(3,219,681)
(Increase)/decrease in amounts owed by group undertakings	(1,628,669)	67,625
(Decrease)/increase in creditors	(1,798,485)	3,081,185
Corporation tax received	-	246,480
Prior year adjustment for client monies	-	13,528,157
Net cash (used in)/generated from operating activities	(9,181,648)	13,757,679
Cash flows from investing activities		
Interest received	328,241	10,152
Net cash generated from investing activities	328,241	10,152
Cash flows from financing activities		
Interest paid	-	(4,315)
Net cash generated from/(used in) financing activities	-	(4,315)
Net (decrease)/increase in cash and cash equivalents	(8,853,407)	13,763,516
Cash and cash equivalents at beginning of year	13,874,558	111,042
Cash and cash equivalents at the end of year	5,021,151	13,874,558
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,021,151	13,874,558
	5,021,151	13,874,558

The notes on pages 16 to 29 form part of these financial statements.

LUMON RISK MANAGEMENT LTD

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 OCTOBER 2023**

	As restated at 1 November 2022 £	Cash flows £	At 31 October 2023 £
Cash at bank and in hand	13,874,558	(8,853,407)	5,021,151
	<u>13,874,558</u>	<u>(8,853,407)</u>	<u>5,021,151</u>

The notes on pages 16 to 29 form part of these financial statements.

LUMON RISK MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2023

1. General information

Lumon Risk Management Ltd is a company limited by shares, incorporated in England and Wales. The address of the registered office is 40 Holborn Viaduct, London, England, EC1N 2PB.

The company specialises in foreign exchange and international payment services to both private and corporate clients.

2. Accounting policies

2.1 Basis of preparation of financial statements

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.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

The company has taken advantage of the following exemptions in its individual financial statements:

- from disclosing the company key management personnel compensation as required by FRS 102 paragraph 33.7.

2.3 Going concern

The financial statements have been prepared on a going concern basis. The directors have considered the factors that impact the company's future development, performance, cash flows and financial position in forming their opinion on the going concern basis. The directors believe that the company has adequate resources to continue to operate and meet its obligations as they fall due for the foreseeable future and therefore the use of the going concern assumption remains appropriate.

2.4 Revenue

Revenue consists of the margin generated from the sale of foreign currency to clients. Margin is calculated from the sales price agreed with the client minus the purchase price agreed with the counterparty bank providing the FX dealing facility.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

LUMON RISK MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2023

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives

Depreciation is provided on the following basis:

Improvements to property - in accordance with length of lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.8 Client monies owed

Amounts owed to clients comprise amounts received in advance from clients in respect of foreign exchange transactions prior to the maturity date of a trade and currency owed by financial institutions after maturity date awaiting disbursement.

LUMON RISK MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2023

2. Accounting policies (continued)

2.9 Financial instruments

The Company enters into basic and non-basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at each reporting date for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. 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 in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.10 Amount held on deposit with financial institutions

Amounts held on deposit with financial institutions comprise amounts paid in advance in respect of foreign exchange transactions prior to the maturity date of a trade and currency owed by financial institutions after maturity date awaiting disbursement.

LUMON RISK MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2023

2. Accounting policies (continued)

2.11 Share capital

Share capital issued by the company is recorded at the amount of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2.12 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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 year 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

Gains and losses on amounts due to and from the counterparty and clients are retained on the Statement of financial position to achieve a true and fair view as opposed to taken to the Statement of comprehensive income as per section 30 of FRS 102, as the group's actual foreign currency exposure is only on the margin element of each deal which would be a low proportion of the total amount and as a result immaterial to the financial statements.

2.14 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

LUMON RISK MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2023

2. Accounting policies (continued)

2.15 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.16 Interest income

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

2.17 Pensions

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

2.18 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

LUMON RISK MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2023

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

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

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

Fair value measurement of derivatives

Management uses valuation techniques to determine the fair value of derivative financial instruments based on active market quotes.

The Company's foreign currency forward contracts have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract.

4. Turnover

The total turnover of the company for the year and prior year have been derived from its principal activity that is wholly undertaken in the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2023 £	2022 £
Depreciation of tangible fixed assets	-	29,884
Operating lease payments in respect of land and buildings	<u>72,996</u>	<u>274,478</u>

6. Auditors' remuneration

	2023 £	2022 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>16,005</u>	<u>14,955</u>

LUMON RISK MANAGEMENT LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

7. Employees

	2023 £	2022 £
Wages and salaries	86,051	163,066
Social security costs	40,016	46,023
Cost of defined contribution scheme	2,065	(5,320)
	<u>128,132</u>	<u>203,769</u>

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

	2023 No.	2022 No.
Directors	5	5
Sales	1	2
	<u>6</u>	<u>7</u>

8. Directors' remuneration

During the year, no remuneration was paid to the directors (2022 - £Nil).

9. Interest receivable

	2023 £	2022 £
Other interest receivable	328,241	10,152
	<u>328,241</u>	<u>10,152</u>

10. Interest payable and similar expenses

	2023 £	2022 £
Other loan interest payable	-	4,315
	<u>-</u>	<u>4,315</u>

LUMON RISK MANAGEMENT LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

11. Taxation

	2023 £	2022 £
Corporation tax		
Corporation tax - prior year	-	(60,155)
	<hr/>	<hr/>
	-	(60,155)
	<hr/>	<hr/>
Total current tax	-	(60,155)
	<hr/>	<hr/>
Tax on profit	-	(60,155)
	<hr/>	<hr/>

LUMON RISK MANAGEMENT LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

11. Taxation (continued)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is lower than (2022 - *lower than*) the standard rate of corporation tax in the UK of 22.5% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	<u>1,728,533</u>	<u>29,866</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.5% (2022 - 19%)	388,920	5,675
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	439	122
Capital allowances for year in excess of depreciation	-	5,172
Utilisation of tax losses	(389,197)	(10,140)
Adjustments to tax charge in respect of prior years	-	(60,155)
Other timing differences leading to a decrease in taxation	(162)	(829)
Total tax charge/(credit) for the year	<u>-</u>	<u>(60,155)</u>

Factors that may affect future tax charges

In the March 2021 Budget, it was announced that the UK corporation tax rate would increase to 25% from 1 April 2023 for profits over £250,000. There are no other significant factors that may affect future tax charges.

12. Debtors

	2023 £	2022 £
Amounts owed by group undertakings	5,954,756	4,326,087
Other debtors	11,271,260	4,071,731
Prepayments and accrued income	5,723	50,466
	<u>17,231,739</u>	<u>8,448,284</u>

LUMON RISK MANAGEMENT LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

13. Cash and cash equivalents

	2023	<i>As restated</i>
	£	<i>2022</i>
		£
Cash at bank and in hand	5,021,151	<i>13,874,558</i>
	5,021,151	<i>13,874,558</i>

The cash at bank and in hand balance above does not include funds held in collateral accounts (included within other debtors) with banking counterparties totalling £10,060,000 (2022 - £3,563,845).

The total cash at bank and in hand is therefore £15,081,151 (*As restated 2022 - £17,438,403*).

14. Creditors: Amounts falling due within one year

	2023	<i>As restated</i>
	£	<i>2022</i>
		£
Client monies	14,797,766	<i>13,528,157</i>
Trade creditors	-	<i>63,938</i>
Amounts owed to group undertakings	3,002,286	<i>3,002,286</i>
Other taxation and social security	199,201	<i>205,641</i>
Other creditors	-	<i>3,010,720</i>
Accruals and deferred income	171,274	<i>158,270</i>
	18,170,527	<i>19,969,012</i>

LUMON RISK MANAGEMENT LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2023**

15. Financial instruments

	2023	<i>As restated</i>
	£	2022
		£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	16,124,477	7,914,149
Financial assets held at fair value	1,101,539	483,669
	<u>17,226,016</u>	<u>8,397,818</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>17,800,052</u>	<u>19,605,101</u>

Financial assets that are debt instruments measured at amortised cost comprise other debtors and amounts owed to group undertakings.

Financial assets held at fair value comprise derivative open trades.

Financial liabilities measured at amortised cost comprise trade and other creditors, monies due to clients and amounts owed to group undertakings.

LUMON RISK MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2023

16. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
1,6001,600 A Ordinary shares of £0.01 each	16	16
800800 B Ordinary shares of £0.01 each	8	8
825,480825,480 C Ordinary shares of £0.01 each	8,255	8,255
9,0009,000 Preferred Ordinary shares of £0.01 each	90	90
	<hr/>	<hr/>
	8,369	8,369
	<hr/>	<hr/>

The A Ordinary shareholders are entitled to one vote in any circumstances and entitled to receive a dividend properly declared or paid separately from any other class of share, which can be declared or paid in preference to the payment to the holders of the Preferred Ordinary shares of the aggregate sum of £400,000.

The B Ordinary shareholders are entitled to one vote in any circumstances and entitled to receive a dividend properly declared or paid separately from any other class of share, after the £400,000 in aggregate has been distributed to the holders of Preferred Ordinary shares.

The C Ordinary shareholders are entitled to one vote in any circumstances and entitled to receive a dividend properly declared or paid separately from any other class of share, which can be declared or paid in preference to the payment to the holders of the Preferred Ordinary shares of the aggregate sum of £400,000.

The Preferred Ordinary shareholders are entitled to one vote in any circumstances and in relation to payments of dividend and returns of capital of whatever kind, subject to the rights attaching to the A Ordinary shares, the holders of Preferred Ordinary shares shall be entitled to the first £400,000 in aggregate and shall then carry the right to receive a dividend properly declared or paid separately from any other class of share.

17. Reserves

Share premium account

Share premium includes excess amount received by a company over the par value of its shares.

Called up share capital

Called up share capital represents the nominal value of shares that have been issued.

Profit and loss account

Profit and loss account includes all current and prior year retained profits and losses.

LUMON RISK MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2023

18. Prior year adjustment

The financial statements have been restated to incorporate client money balances and client money liabilities due held by Lumon Risk Management Ltd. There has been no impact on profits or net assets as a result of this restatement.

19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company, in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £2,065 (2022 - £5,320 *credit*). Contributions totalling £Nil (2022 - £720) were payable at the reporting date and are included in Other Creditors.

20. Commitments under operating leases

At 31 October 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Land and buildings		
Not later than 1 year	-	37,506
	<u>-</u>	<u>37,506</u>

21. Other financial commitments

The company's bankers hold a fixed and floating charge over all property and assets present and future, including goodwill, uncalled share capital, buildings, fixtures, fixed plant and machinery and deposits.

22. Related party transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard 102 not to disclose any transactions with its immediate parent undertaking and other members of the group that are wholly owned.

Currency sales in the year include sales with an aggregate deal value of £1,137,570 (2022 - £511,947) relating to trading with companies with common ownership.

23. Post balance sheet events

There have been no subsequent events that require disclosure or adjustments to the financial statements.

LUMON RISK MANAGEMENT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2023

24. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Lumon Acquisitions Limited, the immediate and ultimate parent undertaking, a company incorporated in Jersey.

The smallest and largest group in which these accounts are consolidated is Lumon Acquisitions Limited, a company incorporated in United Kingdom with registered office Spaces, 3rd floor, 44 Esplanade, St Helier, Jersey, JE4 9WG.

The ultimate controllers of this company at the Statement of financial position date were PSC III G, L.P. a fund which is managed by Pollen Street Capital Limited, a company incorporated in England and Wales.