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Annual Report and Financial Statements
Cambridge Mercantile Risk Management (UK) Ltd

For the Year Ended 31 December 2021

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Company Information

Directors	Dorit Robbins Nathan Cheema
Company secretary	Carole Palmer
Registered number	08363276
Registered office	40 Strand 4th Floor London WC2N 5RW
Independent Auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY

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Strategic Report

For the year ended 31 December 2021

Introduction

The Directors present the audited Financial Statements of Cambridge Mercantile Risk Management (UK) Ltd ("the Company") for the year ended 31 December 2021. The Strategic Report should be read in conjunction with the other sections of this annual report, including the Company financial statements and the accompanying notes.

Business review

The Company was incorporated as a private entity limited by shares on 16 January 2013 and registered under the Registrar of Companies for England and Wales. On 10 February 2014, the Company received authorization from the Financial Conduct Authority (FCA) to trade over the counter option products. Subsequently, in March 2015 a permission was received to include the trading of futures. The company began actively trading in May 2014 and currently offers two types of foreign currency options to its clients in the UK and the European Economic Area (EEA) – vanilla options and structured options.

During the period of 1 January 2021 to 31 December 2021, the Company processed approximately 7,492 transactions (2020: 6,753) representing over £847million in FX volume (2020: £472million). Revenue was £12,343k (2020: £10,485k) with profit after tax of £4,589k (2020: £4,436k). Overall, the Directors are satisfied with the results for the year ended 31 December 2021 and the state of the Company's affairs as at the Statement of Financial Position date.

Principal risks and uncertainties

The Company is exposed to risks and uncertainties relating to economic, legal and regulatory factors that are inherent in the environment in which the Company operates. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company's management currently deems minor or insignificant may also impair its business operations.

Regulatory and compliance risk

As the Company is an FCA regulated entity, it is subject to various ongoing obligations with respect to reporting, meeting financial condition requirements measured by capital and liquidity thresholds, and standards by which business needs to be conducted. The Company also maintains a comprehensive Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF) program in place designed to combat unlawful money transmissions, which includes a vigorous Know Your Client (KYC) program.

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Strategic Report

For the year ended 31 December 2021

Principal risks and uncertainties (continued)

Credit risk
Credit risk arises from the possibility that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company performs reviews of the credit risk of its customers at the inception of the contracts and on an ongoing basis. The Company also monitors the concentration of its contracts with any individual counterparty. The Company anticipates that its counterparties will be able to fully satisfy their obligations under the agreements, but takes actions when doubt arises about the counterparties' ability to perform. These actions may include collateral requirements, exposure limits, or possible termination of the related contracts.

Operational risk
The operational risk review process is undertaken on a quarterly basis and is undertaken on a standard risk register template. The assessment requires the identification and consideration of operational risks categorized below. The key operational risks for the Company are reviewed at the board meetings. At present all risks are categorized as low.

Liquidity risk
Liquidity risk is the risk that the company will not have sufficient funds to meets its liabilities. The company manages its liquidity needs through forecasts which are reviewed regularly to ensure sufficient funds exist to finance the company's current operational and investment cash flow requirements.

Foreign currency risk
The Company undertakes revenue and purchase transactions in foreign currencies and, therefore, is subject to gains and losses due to fluctuations in foreign currency exchange rates. The majority of this risk has been mitigated through offsetting foreign exchange contracts with clients and banks.

External fraud
Risks related to the misappropriation of cash and / or other assets through fraudulent means from an external source – e.g. organized crime.

Internal fraud
Risks related to the misappropriation of cash and / or other assets through fraudulent means from an internal source, e.g. expenses fraud and including management fraud (manipulation of management information so as to spin performance data and giving a false position to the indirect benefit of an employee / manager – promotion / bonus).

Business disruption
Risks related to the extreme events leading to loss of site, systems and / or people.

Strategic Report
For the year ended 31 December 2021

Principal risks and uncertainties (continued)

Product
Risks related to product design, regulatory compliance, product mix, marketing and distribution.

Legal and documentation
Risks related to failing to anticipate legislative change, understand legal requirements or breaching those requirements, or from litigation, e.g. risk arising from unenforceable contract arrangements or failure to accurately specify or evidence the company's position in business documents / contracts.

Regulation
Risks related to failing to anticipate regulatory change or breaching regulatory requirements, e.g. FCA, AML, etc.

Human resources
Risks related to sourcing, retaining and training staff including the cultural environment in which they work.

Process & Procedure
Risks related to the design and performance of processes and procedures, e.g. the risk of loss through errors in the administration of products or services, including lack of proper co-ordination, monitoring or authorization.

Information technology
Risks related to the adequacy of systems, including operating capacity, functionality, integrity (i.e. operationally robust), and security.

Management information
Risks related to the appropriateness, accuracy and timeliness of management information.

Customer service
Risks related to the adequacy and effectiveness of customer service activity, including capacity and function.

Change
Risks related to high level business initiatives, projects and process change.

Third party/outsourcer
Risks related to third party supplier / outsourcer relationships, e.g. discontinued support, provision of either goods or services and contractual requirements.

Strategic Report
For the year ended 31 December 2021

Principal risks and uncertainties (continued)

Criminal & security
Risks related to acts of theft excluding fraud, security of assets, including staff assets, people and Health & Safety issues. The impact and likelihood of the risks is assessed using subsidiary level impact scales and likelihood over a one year timeframe. This allows the risks to be prioritized and action plans/owners agreed.

In summary, the Company's culture and consideration for customer, employee, government, and community needs help build a more sustainable enterprise. The Company will continue to promote systems and practices that solidify its reputation for conducting business at a high standard.

Section 172(1) Statement: Directors Duty to promote the success of the Company

The Company prides itself in currency risk management and hedging solutions for various stakeholders including small-to-medium sized businesses, international NGO's and charities, and mid-to-large sized corporations in the UK and Europe. Our customers rely on us to provide solutions to mitigate foreign currency risks. The Company maintains a relentless focus on improving customer satisfaction and uses innovative digital platforms developed by a related entity to help promote more efficient global trade. The Company has positioned itself as a full suite provider of risk management and hedging solutions, often serving smaller corporations with high quality care and personalized solutions to fit their unique needs. Over 270 businesses have benefited directly from the Company's currency risk hedging products and services.

The Company prioritizes the safeguarding of customer data in accordance with GDPR, and also conducts mandatory annual training with all staff to comply with the latest industry standards. In addition, all staff undergo annual training on anti-money laundering and counter terrorist financing. Employees also receive training on the Company's Global Code of Conduct and Ethics. These training modules contribute to the integrity of the financial system and promotes the interests of the broader community.

The Company ensures a transparent relationship with regulators and maintains regular liaisons to discuss important matters. The Company also develops and maintains systems to closely monitor compliance with all regulatory requirements, which help foster a healthy financial system.

The Company has forged good relationships with external suppliers of hedging products, namely Cambridge Mercantile Corp, a related party, and global money center banks. These suppliers also maintain stringent internal controls, especially with regard to protecting customer assets, and are reliable dealers of currency derivative products. The Company's suppliers of currency are considered partners and have been highly reliable since the Company's inception. Cambridge Mercantile Corp. acts as an internal supplier of currency products and has also built a strong network of banking partners.

The Company's operations have minimal environmental impact.

With regards to employee development, the Company encourages staff to develop new skills and embrace learning opportunities. For example, the Company has provided subscriptions to LinkedIn Learning for all employees. The Company has also established Human Resources policies and procedures to support the fair treatment of employees.

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Strategic Report

For the year ended 31 December 2021

Financial key performance indicators

The Company uses key performance indicators to ensure it has the ability to grow the business successfully in the long term. It therefore includes the following measures:

- To increase revenue on a quarterly basis
- To increase the number of new clients booking option contracts each quarter
- To increase its margin
- To increase the average contract size
- To continually improve its complaint handling process

This report was approved by the board on 26 May 2022 and signed on its behalf.

DocuSigned by:

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Dorit Robbins
Director
Date: 26 May 2022

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Directors' Report

For the year ended 31 December 2021

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

Results and dividends

The profit for the year, after taxation, amounted to £4,589k (2020: £4,436k).

There were no dividends paid, recommended or declared during the current or previous financial year.

Directors

There were no changes in directors during the year.

Future developments

The Company is expected to capitalize on long-term growth opportunities given its strong client base and competitive breadth of products and technology solutions.

Going concern

To assess the possible impact of the COVID-19 pandemic on the Company's financial, liquidity and capital positions, a going concern assessment on the Company has been performed which included stress testing of the 12 month forecast under stressed scenarios and observing the impact on the Company. This included stressing the revenue, expenses and regulatory capital for a significant downturn in activity levels. Based on the assessment performed, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation until at least 31 May 2023 which is more than 12 months from the date of approval of the financial statements. Further, the ultimate parent, FLEETCOR Technologies, Inc., has indicated continued support of the Company should it be required.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Ernst &Young LLP is deemed to be reappointed as auditors in accordance with section 487 (2) of the Companies Act 2006.

This report was approved by the board of directors and signed on its behalf.

DocuSigned by:

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Director

Dorit Robbins

Date: 26 May 2022

Directors' Responsibility Statement

For the year ended 31 December 2021

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 the requirements of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 in accordance with section 10 of FRS 102 Accounting Policies, Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- in respect of the Company's financial statements, state whether applicable UK Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not 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 company 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE MERCANTILE RISK MANAGEMENT (UK) LIMITED

Opinion

We have audited the financial statements of Cambridge Mercantile Risk Management (UK) Limited 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 the related notes 1 to 16 , 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 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:

- give a true and fair view of the company's affairs as at 31 December 2021 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 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 up to 31 May 2023, which is at least 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement page 6, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006, Financial Services and Market Act 2000, Financial Reporting Standard 102, tax legislation (governed by HM Revenue and Customs) and Company's primary regulator, the Financial Conduct Authority (FCA).

- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies, reviewed minutes of the Board, made enquiries of the management for their awareness of any non-compliance with laws and regulations and gained an understanding of the Company's approach to governance demonstrated by the Board's approval of the risk management framework and the internal controls processes.

- We assessed the susceptibility of the company's financial statements to material misstatement by considering the risk of management override of controls. We considered the controls that the Company has established to address risks, or that otherwise seek to prevent, deter or detect fraud.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of executive management and those responsible for legal and compliance matters and journal entry testing. We then corroborated our enquiries through review of board minutes, policies and correspondence with relevant regulatory authorities.

- The company is a regulated entity under the supervision of the FCA. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

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

Use of our report

This report is made solely to 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.

Ernst & Young LLP

James Billingham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 May 2022

Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	1.5	**12,343**	10,485
Cost of sales		**(2,751)**	(2,294)
Gross profit		**9,592**	8,191
Administrative expenses		**(3,931)**	(2,684)
Profit before taxation		**5,661**	5,507
Taxation	5	**(1,072)**	(1,071)
Profit and total comprehensive income for the period		**4,589**	4,436

The notes on pages 14 to 29 form an integral part of the financial statements.

All amounts relate to continuing operations.

Statement of Financial Position

	Note		**2021 £000**		2020 £000
Current assets					
Debtors: amounts falling due within one year	6	**4,742**		901	
Derivative financial assets	9	**25,848**		23,839	
Corporate tax receivable		**126**		30	
Cash and cash equivalents	7	**305**		315	
		31,021		25,085	
Creditors: amounts falling due within one year	8	**(11,207)**		(10,891)	
Derivative financial liabilities	9	**(6,211)**		(5,180)	
Net current assets			**13,603**		9,014
Total assets less current liabilities			**13,603**		9,014
Long-term assets					
Long-term AFEX Intercompany	12	**45,269**		-	
Long-term Liabilities					
Intercompany Notes Payable	12	**(45,269)**		-	
Net Long-term assets			**-**		
Net assets			**13,603**		9,014
Capital and reserves					
Called up share capital	10		**325**		325
Retained earnings			**13,278**		8,689
			13,603		9,014

The notes on pages 14 to 29 form an integral part of the financial statements.

The financial statements were approved and authorized for issue by the board of directors and were signed on its behalf by:

DocuSigned by:

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Dorit Robbins
Director
Date: 26 May 2022

Statement of Changes in Equity

	Called up Share Capital £000	Retained Earnings £000	Total Equity £000
For the 12-Months period ended			
At 31 December 2020	**325**	**8,689**	**9,014**
Comprehensive income for the period			
Profit for the period	**-**	**4,589**	**4,589**
At 31 December 2021	**325**	**13,278**	**13,603**
For the 12-Months period ended December 31, 2020			
At 31 December 2019	325	4,253	4,578
Comprehensive income for the period			
Profit for the period	-	4,436	4,436
At 31 December 2020	325	8,689	9,014

The notes on pages 14 to 29 form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies

1.1 Statement of compliance

Cambridge Mercantile Risk Management (UK) Ltd (the "Company") is a limited company, registered in England and Wales. Its registered office is 40 Strand, 4th Floor, London, WC2N 5RW. The principal accounting policies for the Company are summarised below. They have all been applied consistently throughout the year and preceding year.

1.2 Basis of preparation of financial statements

The financial statements have been prepared on the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies, on the basis that the Company is a going concern and in accordance with UK GAAP, including FRS 102 as issued in March 2018, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

To assess the possible impact of the COVID-19 pandemic on the Company's financial, liquidity and capital positions, a going concern assessment on the Company has been performed which included stress testing of the 12 month forecast under stressed scenarios and observing the impact on the Company. This included stressing the revenue, expenses and regulatory capital for a significant downturn in activity levels. Based on the assessment performed, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation until at least 31 May 2023 which is more than 12 months from the date of approval of the financial statements. Further, the ultimate parent, FLEETCOR Technologies, Inc., has indicated continued support of the Company should it be required.

1.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Items subject to significant management estimates include derivative fair value and provision for doubtful receivables. Management determines these estimates based on historical experience, current market conditions and other factors that it believes to be reasonable under the circumstances in applying the Company's accounting policies.

1.4 Exemptions applied

As a qualifying entity under FRS 102, the Company has taken advantage of the exemptions in sections 1.11-1.12 from preparing a cash flow statement, the requirement of section 33.7 to disclose key management personnel compensation, the requirement of section 33.1A to disclose related party transactions with and between wholly owned subsidiaries, and the exemption in section 9.3 from preparing consolidated financial statements. Cambridge Mercantile Corp. (UK) Limited as a Group prepares publicly available consolidated financial statements, including consolidated statement of comprehensive income, financial position, changes in equity, and cash flows, which are intended to give a true and fair view of the Group's affairs as at 31 December 2021 and of its profit for the year then ended.

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies (continued)

1.5 Turnover

The Company generates revenue from providing foreign exchange services to customers. Foreign currency revenue is comprised of the difference between the sourcing cost and selling price of the currency (foreign currency margin) as well as the revaluation of open foreign exchange positions to market value.

Turnover is recognized to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value-added tax and sales taxes.

Rendering of services

Turnover from a contract to provide services is recognized in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.6 Debtors and Creditors

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

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

During the year, the Company purchased the assets and liabilities of AFEX Markets Plc (UK) and recorded an intercompany receivable exchange for a long-term note. The receivable and note are measured at the transaction price.

For the recorded contractual liabilities with client deals that were past settlement dates, the Company has assessed that only funded deals should be recorded in client deposits.

1.7 Financial instruments

The Company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade receivables, trade payables and loans to related parties. The Company also writes and purchases derivatives, primarily foreign exchange contracts with various customers, and derives a currency spread from this activity. Derivatives are initially recognized 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 recognized in profit or loss of the related party, Cambridge Mercantile Corp., which manages the overall portfolio by entering

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting policies (continued)

1.7 Financial instruments (continued)

into offsetting contracts with financial institution counterparties. The Company reports its financial assets and liabilities under IFRS 9 Financial Instruments.

Classification and measurement

Financial assets are measured at initial recognition at fair value, and are subsequently classified and measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), or amortized cost. The classification is based on the assessment of two criteria: The Company's business model for managing the financial instruments, and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. Based on the assessment, the Company classifies its financial instruments as follows:

- Trade receivables, payables, as well as other non-current financial assets and liabilities are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are measured at initial recognition at fair value, and are classified and subsequently measured at amortized cost using the effective interest method.
- Derivative foreign exchange contracts are free standing non-hedging derivative financial assets or liabilities. These are measured at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value at the reporting date. Changes in the fair value of derivatives are recognized in profit or loss of the related party, Cambridge Mercantile Corp. which manages the overall portfolio.

Fair value hierarchy

Fair value is a market-based measurement that reflects assumptions that market participants would use in pricing an asset or liability. IFRS discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. As the basis for evaluating such inputs, a three-tier value hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.
- Level 2: Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

1. Accounting policies (continued)

1.7 Financial instruments (continued)

The Company utilizes Level 2 fair value determinations derived from directly or indirectly observable (market based) information to determine the fair value of these financial instruments.

Impairment

IFRS 9 requires the Company to recognize an allowance for credit losses (ACL) for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI. The ACL represents an estimate of expected credit losses (ECL) on financial assets as at the balance sheet date, and is calculated as a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. Management has concluded that the expected credit losses are insignificant for these financial assets based on the Company's current risk assessment and historical data. Note 9 describes the Company's financial instruments and risk management in detail.

Hedge accounting

The Company does not apply hedge accounting as the Company does not designate any of its foreign exchange derivatives as hedging instruments.

1.8 Taxation

Tax is recognized in the Statement of Comprehensive Income.

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.

1.9 Remeasurement of foreign currencies

The functional currency of the Company is the British Pound. Accordingly, transactions that are denominated in foreign currencies are remeasured into British Pounds at exchange rates in effect on the date of the transactions. Monetary items are remeasured into British Pounds at the exchange rate in effect at the balance sheet date. Foreign exchange gains and losses are recorded in the Statement of Comprehensive Income for the year.

Notes to the Financial Statements

For the year ended 31 December 2021

2. Auditor's remuneration

Fees payable to the Company's auditor as at 31 December 2021 was £12k (2020: £12k)

3. Employees

	2021	2020
	£000	£000
Staff costs were as follows:		
Wages and salaries	**1,383**	880
	1,383	880

Key management personnel are considered to be the directors of the company.

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

	2021	2020
	No.	No.
Management	**1**	1
Sales	**3**	3
	4	4

4. Director's remuneration

The highest paid director received remuneration of £271k (2020: £206k) and was paid by Cambridge Mercantile Corp. (UK) Limited for services rendered as director of Cambridge Mercantile Risk Management (UK) Ltd. An additional director received remuneration of £18k (2020: £21k) for services rendered as director of Cambridge Mercantile Risk Management (UK) Ltd and was paid by Cambridge Mercantile Corp.

Notes to the Financial Statements

For the year ended 31 December 2021

5. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	**1,070**	1,043
Prior period adjustments	**2**	28
Total Current tax	**1,072**	1,071
Deferred tax for the year	**-**	1
Prior period adjustments	**-**	(1)
Total Deferred tax	**-**	-
Total tax charge for the year	**1,072**	1,071

Factors affecting tax charge for the period
The tax assessed for the year is the same as the standard rate corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021 £000	2019 £000
Profit on ordinary activities before tax	**5,662**	5,507
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	**1,075**	1,046
Effects of:		
Expenses not deductible / (income not taxable) for tax purposes	**(5)**	(2)
Prior period adjustments	**2**	27
Total tax charge for the year	**1,072**	1,071

Current income tax charge for the year includes a prior period adjustment of £2k due to an under provision of income tax in 2020.

Notes to the Financial Statements

For the year ended 31 December 2021

6. Debtors: Amounts falling due within one year

	2021 £000	2020 £000
Trade debtors	**4,065**	901
Amounts due from group undertakings	**677**	-
	4,742	901

The directors of the Company consider the carrying value of these items approximate the fair value due to their short-term nature.

7. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	**305**	315

8. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	**(3,981)**	(372)
VAT tax payable	**(50)**	(49)
Amounts owed to group undertakings	**(7,176)**	(10,470)
	(11,207)	(10,891)

The directors of the Company consider the carrying value of these items approximate the fair value due to their short-term nature.

Notes to the Financial Statements

For the year ended 31 December 2021

9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The Company recognizes its financial assets and liabilities when it becomes party to a contractual arrangement. The Company determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at each balance sheet date.

Carrying values of financial instruments

The following table sets out the carrying values of financial assets and financial liabilities. The Company considers the carrying values of these financial assets and liabilities to reflect their respective fair values at the balance sheet date due to the short-term nature of the instruments.

	2021	2020
	£000	£000
Financial assets		
Financial assets measured at fair value through profit and loss	**25,848**	23,839
Cash and cash equivalents	**305**	315
Financial assets measured at amortized cost	**4,742**	901
	30,895	25,055
Financial liabilities		
Financial liabilities measured at fair value through profit and loss	**(6,211)**	(5,180)
Financial liabilities measured at amortized cost	**(11,157)**	(10,842)
	(17,368)	(16,022)

Capital management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to its stakeholders and maintaining capital adequacy in accordance with its regulatory obligations. Capital is monitored on a quarterly basis by the directors. The capital structure of the company consists of issued capital, reserves, and retained earnings.

Credit risk analysis

The primary credit risk represents the possibility that a loss may occur from the non-performance of a counterparty. The Company performs reviews of the credit risk of these counterparties at the inception of the contracts and on an ongoing basis. Further, the Company also monitors the concentration of its contracts with any individual counterparty. The Company anticipates that its counterparties will be able to fully satisfy their obligations under the agreements, but takes actions when doubt arises about the counterparties' ability to perform. These actions may include collateral requirements, exposure limits, or possible termination of the related contracts. No significant provisions were recorded throughout the year.

Notes to the Financial Statements

For the year ended 31 December 2021

9. Financial instruments (continued)

Liquidity risk analysis

Liquidity risk is the risk that the company will not have sufficient funds to fulfill its obligations on a timely basis or at a reasonable cost. The company manages its liquidity needs through forecasts which are reviewed regularly to ensure sufficient funds exist to finance the company's current operational and investment cash flow requirements.

Market risk analysis

Market risk is the exposure to adverse changes in the value of the Company's financial instruments as a result of changes in market prices or volatility.

Foreign currency risk

The Company undertakes purchase and sale transactions in foreign currencies, and therefore, is subject to gains and losses due to fluctuations in foreign currency exchange rates. The majority of this risk has been mitigated through offsetting foreign exchange contracts with clients and banks.

Interest rate risk

The Company is not directly exposed to significant interest rate risk given the short-term nature of the financial instruments. No interest is accrued on cash at bank, trade debtors, and trade creditors. Client deposits and the amounts due to related parties are non-interest bearing financial instruments.

Other price risk

The company is not exposed to any significant other price risk.

Operational risk analysis

Operational risk is the risk of loss resulting from external events, or from inadequate internal processes, including technology and human activities. This definition includes legal risk. Operational risk is inherent in all of the Company's business activities, including the practices and controls used to manage other risks such as credit, market, and liquidity risk. Failure to manage operational risk can result in financial loss (direct or indirect), reputational harm, or regulatory censure and penalties. The Company actively mitigates and manages operational risk through internal policies and procedures.

Notes to the Financial Statements

For the year ended 31 December 2021

9. Financial instruments (continued)

COVID-19

COVID-19 was declared a pandemic by the World Health Organization in March 2020. Regulatory and other authorities have periodically implemented numerous measures, such as travel restrictions, quarantines, and business shutdowns in an effort to contain the virus. These measures have impacted economic conditions. Global markets, including foreign exchange, have experienced significant volatility.

Since the COVID-19 outbreak, the Company continues to be fully operational on a predominantly work-from-home basis without significant disruptions. Additionally, management has proactively taken steps to reduce risk, such as tightening credit measures, reducing payment limits, and performing more regular financial reviews of its counterparties. The Company expects to have adequate resources to manage economic uncertainties. The Company also has in place appropriate controls, policies, and processes to monitor and manage risks arising from the COVID-19 outbreak.

As COVID-19 vaccination rates continue to improve worldwide, public health restrictions are gradually being lifted. While the impact of COVID-19 continues to remain uncertain, the Company has seen recovery in the business and has gradually rolled out the return-to-office hybrid model. However, the ultimate duration and overall impact of the pandemic continue to remain uncertain. Any ongoing impact of COVID-19 on macroeconomic conditions may affect financial and capital markets, foreign currency exchange rates, inflation, and commodity prices. Even after the COVID-19 global pandemic has subsided, we may continue to experience adverse impacts as a result of economic recession or depression that may occur in the future. As such, the extent to which the COVID-19 outbreak may impact our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. We do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact with high precision at this time.

Notes to the Financial Statements

For the year ended 31 December 2021

9. Financial instruments (continued)

Derivative financial instruments

The Company writes derivatives, primarily foreign exchange contracts with various counterparties, and derives a currency spread from this activity.

Option contracts give the purchaser the right, but not the obligation to buy or sell within a specified timeframe at a contract price, which may be settled in cash. Forward contracts are commitments to buy or sell a currency at a contract price on a future date that will be settled in cash.

The aggregate notional amounts of foreign exchange derivative contracts held by the Company are presented in the table below:

	2021	2020
	£000	£000
Futures & forwards	**48,187**	101,720
Written options	**1,205,650**	464,779
Purchased options	**1,242,689**	456,190
Total derivative assets and liabilities	**2,496,526**	1,022,689

The majority of customer foreign exchange derivative contracts are written in major currencies such as the British Pound, Euro and U.S. Dollar. The following table summarizes the fair value of derivatives reported in the Statement of Financial Position as at 31 December 2021:

	Fair Value 31 December 2021	
	Derivative Assets	**Derivative Liabilities**
Derivatives - undesignated:	**£000**	**£000**
Over the counter	**25,848**	**6,211**
Foreign exchange contracts	**25,848**	**6,211**
Cash collateral received	**1,552**	**-**
Total net derivatives	**24,296**	**6,211**

Notes to the Financial Statements

For the year ended 31 December 2021

9. Financial instruments (continued)

Derivative financial instruments (continued)

The following table summarizes the fair value of derivatives reported in the Statement of Financial Position as at 31 December 2020:

	Fair Value 31 December 2020	
	Derivative Assets	Derivative Liabilities
Derivatives - undesignated:	£000	£000
Over the counter	23,839	5,180
Foreign exchange contracts	23,839	5,180
Cash collateral received	572	-
Total net derivatives	23,267	5,180

The Company recognizes all derivative contracts as derivative assets and derivative liabilities in the Statement of Financial Position at fair value. The fair value represents what would be received or paid by the Company if the contracts were terminated as of the reporting date.

Any foreign exchange contracts with netting terms that the Company believes to be legally enforceable have been netted to present the Company's net exposure with these counterparties at a deal level. The Company may be exposed to risk from derivative contracts written to its customers, which are not designated as hedging instruments. Cambridge Mercantile Corp. aggregates its foreign currency exposures arising from customer contracts and manages the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties (economic hedge contracts) as part of its broader foreign currency portfolio, including spot exchanges of currencies in addition to forwards and options. The changes in fair values related to these contracts are recorded in the Statement of Income and Comprehensive Income by Cambridge Mercantile Corp.

The Company receives cash from counterparties as collateral for trade exposures. The counterparty has the right to recall collateral in the event they unwind all outstanding trades, cease to do business with the Company, or exposures move in their favour. On the other hand, Cambridge Mercantile Corp. posts cash collateral with financial institution counterparties. The Company does not further offset fair value of these derivative contracts by the right to reclaim cash collateral or the obligation to post cash collateral. At 31 December 2021, £25,848k of derivative assets (2020: £23,839k) and £6,211k (2020: £5,180k) of derivative liabilities were recorded on the Statement of Financial Position.

Notes to the Financial Statements

For the year ended 31 December 2021

9. Financial instruments (continued)

Derivative financial instruments (continued)

Fair value measurements

As described in Note 1, the Company utilizes Level 2 fair value determinations derived from directly or indirectly observable (market based) information to determine the fair value of these financial instruments. The fair values of these foreign exchange derivatives are estimated using exchange rates, quotes, and other market inputs directly or indirectly observable for similar assets or liabilities. The fair value represents the net settlement by the Company if the contracts were terminated as of the reporting date. The changes in fair value are recognized by Cambridge Mercantile Corp. which manages the group portfolio. These changes are recorded by the Company thorough related party balances in the Statement of Financial Position. No cash collateral was paid for foreign exchange derivatives as at 31 December 2021 (2020: £NIL). The following table presents the Company's financial assets and liabilities, which are measured at fair values on a recurring basis as of 31 December 2021 and 31 December 2020.

31 December 2021	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
	£000	**£000**	**£000**	**£000**
Assets				
Foreign exchange derivatives	**25,848**	-	**25,848**	-
Total assets	**25,848**	-	**25,848**	-
Cash collateral received	**1,552**	**1,552**	-	-
Liabilities				
Foreign exchange derivatives	**6,211**	-	**6,211**	-
Total liabilities	**6,211**	-	**6,211**	-
Cash collateral paid	-	-	-	-

31 December 2020	Fair Value	Level 1	Level 2	Level 3
	£000			
Assets				
Foreign exchange derivatives	23,839	-	23,839	-
Total assets	23,839	-	23,839	-
Cash collateral received	572	572	-	-
Liabilities				
Foreign exchange derivatives	5,180	-	5,180	-
Total liabilities	5,180	-	5,180	-
Cash collateral paid	-	-	-	-

Notes to the Financial Statements

For the year ended 31 December 2021

10. Share Capital

	2021	2020
	£000	£000
Shares classified as equity		
Allotted, called up and fully paid		
325,000 Ordinary shares of £1 each	**325**	325

11. Financial commitments and contingencies

The Company has no financial commitments or contingencies as at 31 December 2021 (31 December 2020: £NIL).

12. Related party transactions

Due from related parties

	2021	2020
	£000	£000
AFEX Markets Plc (UK) - Short-term	**677**	-
AFEX Markets Plc (UK) - Long-term	**45,269**	-
	45,946	-

The amount due from AFEX Markets Plc (UK) of £677k (31 December 2020: £NIL) is unsecured and non-interest bearing and has no fixed terms of repayment.

The amount due from AFEX Markets Plc (UK) of £ 45,269k (31 December 2020: £NIL) is unsecured and interest bearing (3.55%) loan note due 3 December 2031.

Due to related parties

	2021	2020
	£000	£000
Cambridge Mercantile Corp.	**6,617**	10,470
AFEX Markets Europe Limited	**558**	-
	7,175	10,470

The amount due to Cambridge Mercantile Corp. of £6,617k (31 December 2020: £10,470k) and AFEX Markets Europe Limited £558k (31 December 2020: £Nil) are unsecured and non-interest bearing and has no fixed terms of repayment.

Notes to the Financial Statements

For the year ended 31 December 2021

13. Ultimate parent undertaking and controlling party

The directors consider the immediate parent entity to be Cambridge Mercantile Corp. (UK) Limited, a company incorporated in the United Kingdom and the ultimate controlling party is considered to be FLEETCOR Technologies, Inc. a publicly traded Delaware corporation based in Atlanta, Georgia, United States. The smallest group that the results of the Company are consolidated in is Cambridge Mercantile Corp. (UK) Limited. The full accounts for Cambridge Mercantile Corp. (UK) Ltd and filing history can be accessed online on the UK government's Companies House register.

14. Capital management

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and other strategic objectives. The capital of the Company consists of shareholder's equity, which includes capital contribution and retained earnings.

15. Post Statement of Financial Position events

On 24 February 2022, Russia invaded Ukraine. The directors have considered the impact of this event on the financial statements and have determined that no adjustments are required as the company does not trade in either of these regions and has very limited credit risk exposure.

The Company evaluated all subsequent events through 26 May 2022, the date of issuance of the Company's financial statements. No significant events occurred subsequent to the balance sheet date and prior to the issuance of the financial statements that would have a material impact on the financial results of the Company.

16. Capital Requirements Directive IV ("CRD IV") – Country by Country Reporting

Under the Financial Services and Markets act 2000 Statutory Instrument 3118, CRD IV regulated institutions are required to publish the following information:

Cambridge Mercantile Risk Management (UK) Ltd (the "Company") is a limited company, registered in England and Wales. Its registered office is 40 Strand, 4th Floor, London, WC2N 5RW. The Company does not have any subsidiaries.

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

	2021	2020
	No.	No.
Management	**1**	1
Sales	**3**	3
	4	4

Notes to the Financial Statements

For the year ended 31 December 2021

16. Capital Requirements Directive IV ("CRD IV") – Country by Country Reporting (Continued)

During the year, the Company processed approximately 7,492 transactions (2020: 6,753) representing over £847 million in FX volume (2020: £472 million). Revenue was £12,343k (2020: £10,485k), with profit before tax of £5,661k (2020: £5,507k) and profit after tax of £4,589k (2020: 4,436k).

During the period of 1 January 2021 to 31 December 2021, the Company paid a total corporate tax of £1,170k (2020: £1,549k). The Company received £Nil public subsidies (2020: £Nil)

The Company falls within the scope of these regulations. All of the Company's activities for the year ended 31 December 2021 (2020: all) took place within the United Kingdom and the European Union.