

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

For the Year Ended 31 December 2022

Registered number: 08363276

WEDNESDAY



AC739UW0

A21

05/07/2023

#72

COMPANIES HOUSE

Company Information

Directors

Dorit Robbins
Nathan Cheema

Company secretary

Carole Palmer

Registered number

08363276

Registered office

8-10 Moorgate
4th Floor
London
EC2R 6DA
United Kingdom

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Cambridge Mercantile Risk Management (UK) Ltd

Contents

	Pages
Strategic report	1 - 5
Directors' report	6
Directors' responsibilities statement	7
Independent auditor's report	8 – 11
Statement of comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14
Notes to the financial statements	15-32

Cambridge Mercantile Risk Management (UK) Ltd

Strategic Report

For the year ended 31 December 2022

Introduction

The Directors present the audited Financial Statements of Cambridge Mercantile Risk Management (UK) Ltd (“the Company”) for the year ended 31 December 2022. 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 2022 to 31 December 2022, the Company processed approximately 13,504 transactions (2021: 7,492) representing over £1.5 billion in FX volume (2021: £847 million). Revenue was £35,813k (2021: £12,343k) with profit after tax of £14,737k (2021: £4,589k). The significant year over year increase in transactions, revenue and FX volume is attributed to onboarding of AFEX clients through acquisition.

Overall, the Directors are satisfied with the results for the year ended 31 December 2022 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.

Cambridge Mercantile Risk Management (UK) Ltd

Strategic Report

For the year ended 31 December 2022

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 meet 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.

Cambridge Mercantile Risk Management (UK) Ltd

Strategic Report

For the year ended 31 December 2022

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.

Cambridge Mercantile Risk Management (UK) Ltd

Strategic Report

For the year ended 31 December 2022

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.

Cambridge Mercantile Risk Management (UK) Ltd

Strategic Report

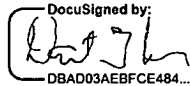
For the year ended 31 December 2022

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 30 June 2023 and signed on its behalf.

DocuSigned by:

DBAD03AEBFCE484...

Dorit Robbins
Director
Date: 30 June 2023

Cambridge Mercantile Risk Management (UK) Ltd

Directors' Report

For the year ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £14,737k (2021: £4,589k).

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 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 30 June 2024 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

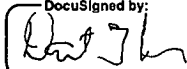
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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:

DBAD03AEBFCE484...
Director
Dorit Robbins
Date: 30 June 2023

Cambridge Mercantile Risk Management (UK) Ltd

Directors' Responsibilities Statement

For the year ended 31 December 2022

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.

Cambridge Mercantile Risk Management (UK) Ltd

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 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 17, 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 2022 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 30 June 2024, 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.

Cambridge Mercantile Risk Management (UK) Ltd

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 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Cambridge Mercantile Risk Management (UK) Ltd

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

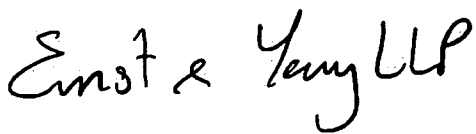
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not 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, including how fraud might occur 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.

Cambridge Mercantile Risk Management (UK) Ltd

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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

James Billingham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
30 June 2023

Cambridge Mercantile Risk Management (UK) Ltd

Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	1.5	35,813	12,343
Cost of sales		<u>(3,424)</u>	<u>(2,751)</u>
Gross profit		32,389	9,592
Administrative expenses		<u>(14,144)</u>	<u>(3,931)</u>
Profit before taxation		18,245	5,661
Taxation	5	<u>(3,508)</u>	<u>(1,072)</u>
Profit for the period		<u>14,737</u>	<u>4,589</u>
Profit and total comprehensive income for the period		14,737	4,589

The notes on pages 15 to 32 form an integral part of the financial statements.

All amounts relate to continuing operations.

Cambridge Mercantile Risk Management (UK) Ltd

Statement of Financial Position

	Note	2022 £000	2021 £000
Non-current assets			
Fixed assets	9	11	-
Non-current AFEX intercompany	13	46,069	45,269
Non-current derivative financial asset	10	26,468	12,946
		<u>72,548</u>	<u>58,215</u>
Total non-current assets		72,548	58,215
Current assets			
Cash and cash equivalents	7	305	305
Debtors: amounts falling due within one year	6	1,579	4,742
Derivative financial assets	10	26,640	12,902
Corporate tax receivable		-	126
		<u>28,524</u>	<u>18,075</u>
Creditors: amounts falling due within one year	8	(14,911)	(11,207)
Corporate tax payable	5	(2,681)	-
Derivative financial liabilities	10	<u>(7,365)</u>	<u>(5,067)</u>
Net current assets		3,567	1,801
Total assets less current liabilities		3,567	1,801
Non-current Liabilities			
Intercompany notes payable	13	(45,269)	(45,269)
Non-current derivative financial liabilities	10	<u>(2,356)</u>	<u>(1,144)</u>
		<u>(47,625)</u>	<u>(46,413)</u>
Total non-current liabilities		(47,625)	(46,413)
Provisions for liabilities			
Deferred tax liability	5	(2)	-
		<u>(2)</u>	<u>-</u>
Net assets		28,488	13,603
Capital and reserves			
Called up share capital	11	325	325
Capital contribution	11	148	-
Retained earnings		<u>28,015</u>	<u>13,278</u>
		<u>28,488</u>	<u>13,603</u>

The notes on pages 15 to 32 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:



DBAB03AEECE484...

Doni Robbins

Director

Date: 30 June 2023

Cambridge Mercantile Risk Management (UK) Ltd

Statement of Changes in Equity

	Called up Share Capital £000	Capital Contribution £000	Retained Earnings £000	Total Equity £000
For the 12-months period ended				
At 31 December 2021	325	-	13,278	13,603
Stock based compensation granted by parent	-	148	-	148
Comprehensive income for the period	-	-	14,737	14,737
At 31 December 2022	<u>325</u>	<u>148</u>	<u>28,015</u>	<u>28,488</u>
For the 12-months period ended				
At 31 December 2020	325	-	8,689	9,014
Comprehensive income for the period	-	-	4,589	4,589
At 31 December 2021	<u>325</u>	<u>-</u>	<u>13,278</u>	<u>13,603</u>

The notes on pages 15 to 32 form an integral part of the financial statements.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

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 8-10 Moorgate, 4th Floor, London, EC2R 6DA. 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 2013, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

To assess 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 30 June 2024 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 2022 and of its profit for the year then ended.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

1. Accounting policies (continued)

1.5 Turnover

The Company generates revenue from providing foreign exchange services to customers and transfer pricing of fees from AFEX Markets Europe Limited. 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. The transfer pricing is the arm's length nature of the transactions occurring between AFEX Markets Europe Limited and the Company in relation to Brexit-related business changes.

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 foreign exchange 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.

Transfer pricing

Brexit made it no longer possible for the Company to continue its European FX services business given certain regulated activities being subject to EU passporting requirements. The European FX business was transitioned to AFEX Markets Europe Limited during 2021/2022.

Turnover from fees paid from AFEX Markets Europe Limited to the Company related to the transition and ongoing support of the business is recognized in the period through transfer pricing. The details of fees include AFEX Markets Europe Limited's payment of:

- a referral fee to compensate the Company for the transfer of clients related to Brexit;
- a sales commission for ongoing sales activities provided by the Company; and
- fees related to management support provided by the Company.

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.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

1. Accounting policies (continued)**1.6 Debtors and Creditors (continued)**

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 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 charges that are 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the following straight-line method:

Asset	Estimated Useful Life (in Years)	Basis
Computer hardware and software	3 years	Straight line

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. There was no indication of impairment of tangible fixed assets during the year ended 31 December 2022. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

1.8 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 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

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

1. Accounting policies (continued)

1.8 Financial instruments (continued)

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.

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

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

1. Accounting policies (continued)

1.8 Financial instruments (continued)

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.

1.9 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.

1.10 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.

1.11 Stock-based compensation

In accordance with FRS 102 Share-based Payment, the Company recognizes compensation cost for awards granted under the Company's stock option plan when occurrence of the performance conditions of the option agreements are considered probable.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

2. Auditor's remuneration

Fees payable to the Company's auditor as at 31 December 2022 was £14k (2021: £12k)

3. Employees

Staff costs were as follows:

	2022	2021
	£000	£000
Wages and salaries	4,088	1,383
	<u>4,088</u>	<u>1,383</u>

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:

	2022	2021
	No.	No.
Management	1	1
Sales	10	3
	<u>11</u>	<u>4</u>

4. Director's remuneration

The highest paid director received remuneration of £30k (2021: £271k) 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 £7k (2021: £18k) for services rendered as director of Cambridge Mercantile Risk Management (UK) Ltd and was paid by Cambridge Mercantile Corp. The year over year decrease in reported remuneration of each Director attributed to the Company is due to the expansion of their directorship responsibilities to oversee the AFEX entities in Ireland, as well as the exclusion of the portion of remuneration dedicated to performing their day-to-day responsibilities outside the directorship.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

5. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	3,506	1,070
Prior period adjustments	-	2
Total Current tax	3,506	1,072
Deferred tax for the year	(1)	-
Prior period adjustments	3	-
Total Deferred tax	2	-
Total tax charge for the year	3,508	1,072

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% (2021: 19.00%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	18,245	5,662
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	3,466	1,075
Effects of:		
Expenses not deductible / (income not taxable) for tax purposes	39	(5)
Prior period adjustments	3	2
Total tax charge for the year	3,508	1,072

Current income tax charge for the year includes a prior period adjustment of £3k due to transfer of AFEX Fixed Asset balances in 2022.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

6. Debtors: Amounts falling due within one year

	2022 £000	2021 £000
Trade debtors	1,579	4,065
Amounts due from group undertakings	-	677
	<u>1,579</u>	<u>4,742</u>

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

	2022 £000	2021 £000
Cash at bank and in hand	<u>305</u>	<u>305</u>

8. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	(1,553)	(3,981)
VAT tax payable	(11)	(50)
Amounts owed to group undertakings	<u>(13,347)</u>	<u>(7,176)</u>
	<u>(14,911)</u>	<u>(11,207)</u>

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

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

9. Fixed asset

	Computer Hardware £000	Furniture and Fixtures £000	Total £000
Cost			
At 1 January 2022	-	-	-
Additions	14	-	14
Write-offs	-	-	-
At 31 December 2022	<u>14</u>	<u>-</u>	<u>14</u>
Depreciation			
At 1 January 2022	-	-	-
Depreciation for the year	3	-	3
Write-offs	-	-	-
At 31 December 2022	<u>3</u>	<u>-</u>	<u>3</u>
Net book value			
At 31 December 2022	<u>11</u>	<u>-</u>	<u>11</u>
At 31 December 2021	<u>-</u>	<u>-</u>	<u>-</u>

10. 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.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

10. Financial instruments (continued)

	2022 £000	2021 £000
Current financial assets		
Financial assets measured at fair value through profit and loss	26,640	12,902
Cash and cash equivalents	305	305
Financial assets measured at amortized cost	3,820	4,742
Non-current financial assets		
Financial assets measured at fair value through profit and loss	26,468	12,946
	<u>57,233</u>	<u>30,895</u>
Current financial liabilities		
Financial liabilities measured at fair value through profit and loss	(7,365)	(5,067)
Financial liabilities measured at amortized cost	(17,612)	(11,157)
Non-current financial liabilities		
Financial liabilities measured at fair value through profit and loss	(2,356)	(1,144)
	<u>(27,333)</u>	<u>(17,368)</u>

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.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

10. 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. Interest is accrued on cash at bank, trade debtors, intercompany loan 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.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

10. 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:

	2022 £000	2021 £000
Futures & forwards	178,881	48,187
Written options	1,202,879	1,205,650
Purchased options	1,232,958	1,242,689
Total derivative assets and liabilities	<u>2,614,718</u>	<u>2,496,526</u>

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 2022:

	Fair Value 31 December 2022	
	Derivative Assets £000	Derivative Liabilities £000
Derivatives - undesignated:		
Over the counter	53,108	9,721
Foreign exchange contracts	53,108	9,721
Cash collateral received	-	-
Total net derivatives	<u>53,108</u>	<u>9,721</u>

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

10. 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 2021:

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

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 2022, £26,640k of current derivative assets (2021: £25,848k), £26,468k of noncurrent derivative assets (2021: £NIL), £7,365k of current derivative liabilities (2021: £6,211k), and £2,356k of noncurrent derivative liabilities (2021: £NIL) were recorded on the Statement of Financial Position.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

10. 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 through related party balances in the Statement of Financial Position. No cash collateral was paid for foreign exchange derivatives as at 31 December 2022 (2021: £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 2022 and 31 December 2021.

31 December 2022	Fair Value £000	Level 1 £000	Level 2 £000	Level 3 £000
Assets				
Foreign exchange derivatives	53,108	-	53,108	-
Total assets	53,108	-	53,108	-
Cash collateral received	-	-	-	-
Liabilities				
Foreign exchange derivatives	9,721	-	9,721	-
Total liabilities	9,721	-	9,721	-
Cash collateral paid	-	-	-	-
31 December 2021	Fair Value £000	Level 1 £000	Level 2 £000	Level 3 £000
Assets				
Foreign exchange derivatives	25,848	-	25,848	-
Total assets	25,848	-	25,848	-
Cash collateral received	-	-	-	-
Liabilities				
Foreign exchange derivatives	6,211	-	6,211	-
Total liabilities	6,211	-	6,211	-
Cash collateral paid	-	-	-	-

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

11. Capital

	2022	2021
	£000	£000
Shares classified as equity		
Allotted, called up and fully paid		
325,000 Ordinary shares of £1 each	<u>325</u>	<u>325</u>

Stock-based compensation

The Company's parent, FLEETCOR Technologies, Inc., grants stock-based awards to certain Company personnel. It is the parent's policy to charge the related stock-based compensation to the Company. In the opinion of management, this method of allocation is reasonable.

Stock options are granted with an exercise price estimated to be equal to the fair market value on the date of grant as authorised by FLEETCOR Technologies, Inc. Board of Directors. Options granted have vesting provisions ranging from one to five years and vesting of the options is generally based on the passage of time or performance. Stock option grants are subject to forfeiture if employment terminates prior to vesting. The Company has selected the Black-Scholes option pricing model for estimating the grant date fair value of stock option awards. The Company has considered the retirement and forfeiture provisions of the options and utilised its historical experience to estimate the expected life of the options. Option forfeitures are accounted for upon occurrence. The Company bases the risk-free interest rate on the yield of a zero-coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. Stock-based compensation cost is measured at the grant date based on the value of the award and is recognised in Shareholder's equity over the requisite service period based on the number of years over which the requisite service is expected to be rendered.

Awards of restricted stock and restricted stock units are independent of stock option grants and are subject to forfeiture if employment terminates prior to vesting. The vesting of shares granted is generally based on the passage of time, performance or market conditions, or a combination of these. Shares vesting based on the passage of time have vesting provisions of one to four years. The fair value of restricted stock where the shares vest based on the passage of time or performance is based on the grant date fair value of FLEETCOR's stock. The fair value of restricted stock units granted with market based vesting conditions is estimated using the Monte Carlo simulation valuation model. The risk-free interest rate and volatility assumptions used within the Monte Carlo simulation valuation model are calculated consistently with those applied in the Black-Scholes options pricing model utilised in determining the fair value of the stock option awards.

For performance-based restricted stock awards and performance-based stock option awards, the Company must also make assumptions regarding the likelihood of achieving performance goals. If actual results differ significantly from these estimates, stock-based compensation could be affected.

During the fiscal year ended 31 December 2022, the Company recognised stock-based compensation expense of £148k (2021 - £Nil). The offset was recorded in capital contribution in the Statement of Changes in Shareholder's Equity as the awards are equity settled.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

12. Financial commitments and contingencies

The Company has no financial commitments or contingencies as at 31 December 2022 (31 December 2021: £NIL).

13. Related party transactions**Due from related parties**

	2022	2021
	£000	£000
AFEX Markets Plc (UK) - Current	-	677
AFEX Markets Plc (UK) – Non-current	46,069	45,269
	<u>46,069</u>	<u>45,946</u>

The amount due from Cambridge Mercantile Corp. of £NIL (31 December 2021: £NIL) is unsecured non-interest bearing and has no fixed terms of repayment.

Due to related parties

	2022	2021
	£000	£000
Cambridge Mercantile Corp.	10,206	6,617
AFEX Markets Europe Limited	-	558
AFEX Markets Plc (UK) - Current	3,140	-
Intercompany notes payable - AFEX Markets Plc (UK)	45,269	45,269
	<u>58,615</u>	<u>52,444</u>

The amount due to Cambridge Mercantile Corp. of £10,206k (31 December 2021: £6,617k), the amount due to AFEX Markets Europe Limited of £NIL (31 December 2021: £558k), and the amount due to AFEX Markets Plc (UK) of £3,140k (31 December 2021: £NIL) are unsecured non-interest bearing and have no fixed terms of repayment.

The intercompany notes payable due to AFEX Markets Plc (UK) of £45,269k (31 December 2021: £45,269k) is unsecured and interest bearing (3.55%) loan note due 3 December 2031.

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

14. 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.

15. 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.

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 8-10 Moorgate, 4th Floor, London, EC2R 6DA. The Company does not have any subsidiaries.

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

	2022 No.	2021 No.
Management	1	1
Sales	10	3
	<u>11</u>	<u>4</u>

Cambridge Mercantile Risk Management (UK) Ltd

Notes to the Financial Statements

For the year ended 31 December 2022

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

During the year, the Company processed approximately 13,504 transactions (2021: 7,492) representing over £1,560 million in FX volume (2021: £847 million). Revenue was £35,813k (2021: £12,343k), with profit before tax of £18,245k (2021: £5,661k) and profit after tax of £14,737k (2021: £4,589k).

During the period of 1 January 2022 to 31 December 2022, the Company paid a total corporate tax of £3,508k (2021: £1,170k). The Company received £Nil public subsidies (2021: £Nil)

The Company falls within the scope of these regulations. All of the Company's activities for the year ended 31 December 2022 (2021: all) took place within the United Kingdom and the European Union.

17. Subsequent Events

The Company evaluated all subsequent events through June 30, 2023, the date of issuance of the Company's financial statements. On March 14, 2023, the Company received the capital contribution of Cambridge Mercantile Corp. (UK) Limited, a 100% owned subsidiary of FLEETCOR Technologies, Inc., in the amount of £20M, which had the effect of increasing the Shareholder Equity by increasing Company's ordinary shares of 20,000,000 of £1 each.

In January 2023, the Company's ultimate parent, FLEETCOR Technologies, Inc., completed the acquisition of Global Reach, a cross-border payments provider primarily based in the United Kingdom.

No other 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.