



Annual Financial Report

For the year ended 30 June 2021

Pepperstone Limited

AMENDED

Full accounts made up to 30 June 2021
Accounts filed on 17 December 2021 incorrectly
stated as unaudited and omit various reports.

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Company profile and information

Profile

Pepperstone Limited (the "Company") is a limited company registered in England and Wales. The Company was a wholly owned subsidiary of Pepperstone Group Limited ("Pepperstone" or the "Parent", and collectively, the "Group") (see note 23 for post year end changes). Pepperstone is a provider of online over-the-counter trading services headquartered in Australia, offering a wide range of financial products to professional and retail clients.

Directors

Savvakis Ioannou
Tamas Szabo
Robert Bowen

appointed 19 July 2017
appointed 9 January 2018
appointed 30 April 2019

Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY
United Kingdom

Registered office

70 Gracechurch Street
London, EC3V 0HR
United Kingdom

Registration number

08965105

The directors present their strategic report for the Company for the year ended 30 June 2021.

The Company was a wholly owned subsidiary of Pepperstone Group Limited (the "Parent"), which is also its immediate parent (see note 23 for post year end changes).

Principal Activities

The Company's principal activity is to onboard retail and professional clients for the purpose of providing a platform for clients to buy and sell leveraged Contract-For-Difference ("CFD") and spread-betting products. The Company's licence does not allow it to take on any market risk and therefore all market risk is borne by the Parent. As part of this process, clients deposit monies directly with the Company.

Review of the business and future developments

The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

As a result of Brexit, the Company migrated a number of its clients to Pepperstone EU Limited in Cyprus and Pepperstone GmbH in Germany (both wholly owned subsidiaries of the Parent company). Together with several other entities, these make up the Pepperstone Group ("the Group"). Despite the migration of clients, the Company earned revenue from commissions and spreads against CFDs and spread bets achieving revenues of £7,905,462 (2020: £12,745,702; 2019: £6,880,403). The Company's profit before tax was £2,034,295 as at 30 June 2021 (2020: £7,747,817; 2019: £3,206,144). The Company has continued to invest in skilled staff to help build and grow the business in the UK and beyond, and therefore the cost base of the Company increased by 48% year on year. The growth of the business is evident in the revenue earned and number of client trends since the Company started operating in 2017.

In light of the above, the directors of the Company are satisfied with the results for the year.

As at the year ended 30 June 2021, the balance of client funds held within segregated accounts was £14,485,970 (2020: £14,660,289).

Whilst future predictions and trends are difficult to make, the Company is fully committed to developing an offering that appeals to professional traders and retail clients who are generally more experienced and better informed about derivatives and financial markets than the average person.

During the year the Company launched over 1,000 new products including equities, indices, ETFs, cryptocurrency pairs and commodities. Examples include the UK top 100 equities, 349 instruments across the NYSE and NASDAQ, top 145 Australian equities, soft commodities such as soybean and cattle, cryptocurrency FX pairs such as Ethereum vs Bitcoin, and indices from other countries like Canada, Germany and Scandinavia.

An interim dividend of £3,000,000 was paid during the year in December 2020 (2020: £3,362,600). No final dividend was declared or paid during the year (2020: £nil).

Principal risks and uncertainties

The Company is exposed to a variety of risks as a result of daily operations and the industry in which the Company operates. These risks are monitored constantly to ensure that the risk appetite of the Company is not exceeded. The risks faced by the Company are analysed below. These risks are also analysed in greater depth in Note 19 Financial instruments.

Foreign Exchange Risk

The Company incurs market risk on foreign currency movements on its own cash assets & liabilities held in foreign currencies. The Company monitors its exposure on a day to day basis and hedges its exposure if required.

Cash Flow Risk

The Company is in its infancy and one of the key risks is ensuring that there is sufficient cash flow to maintain operations. Support is provided to the Company through intercompany funding / loans from the Parent in order to meet its financial liabilities and outgoings when needed, whilst maintaining sufficient capital adequacy.

Market Risk

The Company has no traded market risk as all market risk is borne by the Parent.

Credit Risk

Credit risk is one of the principal risks the Company faces. Credit risk exposure relating to financial asset receivables arises from the potential non-performance by counterparties of contract obligations that could lead to financial losses for the Company.

It is the Company's policy not to grant credit to clients. Insofar as that underlying contracts represent a leveraged trading service, the "credit" applicable to the client's account is limited to the amount of margin within that account, as such there is minimal exposure to the Company.

Operational Risk

Operational risk is defined as any instance where there is potential or actual impact to the Company resulting from inadequate or failed internal processes, people, systems or external events. The impacts can be either financial or non-financial such as client money, customer detriment, reputational or regulatory consequences.

To mitigate these risks, daily backups are made on servers established outside the office to be able to continue its core operations in the case of unforeseen events. Concentration risk is minimised through the use of multiple alternate service providers. Controls and governance frameworks are in place to minimise risk of human error.

The Company has Professional Indemnity Insurance in place to mitigate other operational risks.

Liquidity Risk

Liquidity risk is the risk that liabilities cannot be met when they fall due or can only be met at an uneconomic price. In order to maintain a liquidity position in line with FCA requirements, the Company measures liquidity risk with a variety of measures, including regular stress testing, cash flow monitoring, and reporting to both the Company and Group boards.

Cryptocurrency Risk

Pepperstone trades CFDs on various cryptocurrencies but not the underlying coins or tokens themselves. The Company offers over-the-counter ("OTC") contracts to professional clients and does not physically own any cryptocurrencies itself. Clients speculate on the rise and fall of the prices of these instruments and do not ever take ownership of the underlying asset.

As such, cryptocurrencies are subject to the same risks as any of the other CFD and FX products that Pepperstone offers. However, given the relative immaturity of cryptocurrencies, the risks may be magnified i.e. the underlying instruments will be considerably less liquid than other more established instruments and may therefore, be more volatile and thinly traded among fewer counterparties. As a result, we offer higher margin levels for these products to mitigate the risk.

Due to new FCA guidance, from 1st December 2020, the Company will no longer offer CFDs where cryptocurrency is the underlying asset to retail clients.

Interest Rate Risk

The Company has limited exposure to interest rate risk on its cash positions and borrowings. Cash is held in non-interest-bearing current accounts. The Company has access to overdraft facilities which are currently not being utilised.

Conduct Risk

Conduct risk is the risk of not delivering fair customer outcomes. The Company will be exposed to the financial costs and regulatory consequences of not meeting customers' needs, such as: poor product design, products not being clearly and fairly described or products and services not performing in line with how they were marketed and sold to customers. Conduct risk is managed in line with the overall risk management framework as described in the Operational risk section above.

Reputational Risk

One of the most important factors in attracting clients in our sector is the reputation that each company has and how it is perceived. The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company.

Brexit

During the year, the Company transferred its European clients to its European counterparties: Pepperstone GmbH is regulated under BaFin (Federal Financial Supervisory Authority) and Pepperstone EU Limited is regulated under CySEC (Cyprus Securities and Exchange Commission). This allowed the Company to comply with the Brexit rules whilst still keeping the clients within the Group. The migration took place between November 2020 and February 2021.

Due to the migration, revenue decreased this year by 38%, volumes traded decreased by 37%, and year-end active users decreased by 27%.

Covid-19

Covid-19 has had far reaching impacts across the global economy. Whilst many companies are experiencing hardships, Pepperstone has been largely unimpacted. The decrease in clients and volumes is due to Brexit and a lack of volatility in the market towards the end of the year rather than any impact from Covid.

Events after the balance sheet date

Details of material events since the balance sheet date are contained in note 23 to the financial statements.

Pillar 3

Pillar 3 regulations require disclosure of the Company's capital, risk exposures and risk management policies per Part 8 Title 1 of the Capital Requirements Regulation 575/2013.

The Pillar 3 disclosures are publicly available from www.pepperstone.com.

Approval

This report was approved by the Board and signed on its behalf by:



Savvakis Ioannou
Director
19 October 2021

70 Gracechurch Street
London, EC3V 0HR
United Kingdom

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2021.

Directors

The directors who served throughout the year were as follows:

Savvakis Ioannou	appointed 19 July 2017
Tamas Szabo	appointed 9 January 2018
Robert Bowen	appointed 30 April 2019

Dividends

An interim dividend of £3,000,000 was paid during the financial year 2021 (2020: £3,362,600). No final dividend was declared or paid during the year (2020: £nil).

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the strategic report on page 2 and form part of this report by cross-reference.

Research and development

The Company did not enter into any research and development activities during the year.

Existence of branches outside the UK

The Company had no branches in existence outside the United Kingdom.

Going concern

The Directors have prepared the financial statements on a going concern basis.

The longer-term prospects of the Company are assessed through a review of a cash flow forecast, the business plan, medium-term budgets and assessing and stress testing its capital and liquidity position. The Board reviews and challenges the Internal Capital Adequacy Assessment Process ("ICAAP") which is prepared at least annually.

Covid-19 has had far reaching impacts across the global economy. Whilst many companies are experiencing hardships, Pepperstone has been largely unimpacted. The decrease in clients and volumes is due to Brexit and a lack of volatility in the market towards the end of the year rather than any impact from Covid.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the next 12 months.

Directors' indemnities

During the year, the Company made qualifying third-party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms 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 they should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



Savvakis Ioannou
Director
19 October 2021

70 Gracechurch Street
London, EC3V 0HR
United Kingdom

Directors' responsibility statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 Reduced Disclosure Framework.

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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework have been followed subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS101 used in the preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors confirm that the Company has complied with the above requirements in preparing the financial statements.

Approved by the Board and signed on its behalf by:



Savvakis Ioannou
Director
19 October 2021

70 Gracechurch St
London, EC3V 0HR
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEPPERSTONE LIMITED

Opinion

We have audited the financial statements of Pepperstone Limited for the year ended 30 June 2021 which comprise the Statement of Profit and Loss, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (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 30 June 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 of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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 there is 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 set out on page 9, 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.

Our approach was as follows:

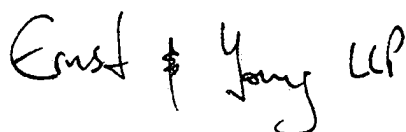
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006, Financial Reporting Standard 101, the relevant tax legislation in respective jurisdictions and the rules and regulations of the 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 its regulatory bodies, reviewed minutes of the Board and sub-committees, made enquiries of management for their awareness of any non-compliance with laws and regulations and to understand how the Company maintains and communicates its policies and procedures. We corroborated our enquiries through review of Board minutes, policies and correspondence with relevant regulatory authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering inappropriate revenue recognition in relation to transactions outside of the normal course of business and the risk of management override where management is able to post topside adjustments that are inappropriate or recorded in the incorrect period to be fraud risks. We considered the controls that the company has established to address these risks identified, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved enquiries of executive management and those responsible for legal and compliance matters and journal entry testing. We 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 Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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.



Andrew Stevenson (Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
21 October 2021

Statement of profit and loss
For the year ended 30 June 2021

	Note	30 June 2021 £	30 June 2020 £
Trading revenue	3	7,905,462	12,745,702
Cost of sales		(1,149,637)	(1,805,722)
Gross profit		6,755,825	10,939,980
Employee expenses	4	(2,424,648)	(1,985,354)
Legal & professional fees		(615,818)	(338,345)
Marketing expenses		(455,313)	(197,071)
Depreciation and amortisation		(225,839)	(234,109)
Other expenses		(988,034)	(399,239)
Foreign exchange gains / (losses)		(11,878)	(38,045)
Total expenses		(4,721,530)	(3,192,163)
Operating profit before income tax		2,034,295	7,747,817
Income tax expense	5	(435,547)	(1,474,787)
Profit for the financial year from continuing activities		1,598,748	6,273,030

The above statement should be read in conjunction with the accompanying notes.

All amounts are from continuing operations. There were no items of other comprehensive income for 2021 or 2020 and therefore no statement of comprehensive income has been presented.

Statement of financial position
As at 30 June 2021

	Note	30 June 2021 £	30 June 2020 £
Fixed assets			
Intangible assets	6	58,629	71,791
Property, plant and equipment	7	34,365	31,973
Right of use asset	8	133,592	358,669
Current assets			
Cash and cash equivalents	9	20,269,976	18,319,833
Trade and other receivables	10	5,900,265	3,656,905
Prepayments and accrued income	11	44,260	57,085
Creditors - amounts falling due within one year	12	(22,328,925)	(17,170,091)
Net current assets		3,885,576	4,863,732
Total assets less current liabilities		4,112,162	5,326,165
Creditors - amounts falling due after more than one year	12	(31,617)	(183,324)
Provisions for liabilities	13	(559,428)	(220,472)
Net assets		3,521,117	4,922,369
Equity			
Called-up share capital	14	956,380	956,380
Retained earnings		2,564,737	3,965,989
Total shareholders' funds		3,521,117	4,922,369

The above statement should be read in conjunction with the accompanying notes.

These financial statements were approved and authorised for issue by the Board on 19 October 2021 and were signed on its behalf by:



Savvakis Ioannou
Director
19 October 2021

Statement of changes in equity
For the year ended 30 June 2021

	Called-up share capital £	Retained earnings/ (losses) £	Total £
Balance as at 1 July 2019	956,380	1,055,559	2,011,939
Profit for the year	-	6,273,030	6,273,030
Total comprehensive income for the year	-	6,273,030	6,273,030
Dividends paid in the year	-	(3,362,600)	(3,362,600)
Balance as at 30 June 2020	956,380	3,965,989	4,922,369
Balance as at 1 July 2020	956,380	3,965,989	4,922,369
Profit for the year	-	1,598,748	1,598,748
Total comprehensive income for the year	-	1,598,748	1,598,748
Dividends paid in the year	-	(3,000,000)	(3,000,000)
Balance as at 30 June 2021	956,380	2,564,737	3,521,117

The above statement should be read in conjunction with the accompanying notes.

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1. General information

Pepperstone Limited is a private company limited by shares incorporated on 28 March 2014 in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the business review on page 3.

The Company has applied Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") issued by the Financial Reporting Council ("FRC").

2. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently in dealing with items which are considered material in relation to the Company's financial statements throughout the year.

a) New accounting standards adopted during the year

FRS 101 Reduced Disclosure Requirements

There were no new standards adopted this year.

b) Basis of accounting

The financial statements have been prepared on the historical cost basis, except for derivatives, which have been measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

As a qualifying entity, the Company has taken advantage of the following disclosure exemptions available under that standard as indicated below:

- The requirement of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 10(d), 10(f), 16, 38(c)-(d), 40(a)-(d), 111 and 134-136 of IAS 1 Presentation of Financial Statements
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- Exemptions conferred by FRS 101: 8(j) and (k) "Related party disclosures", the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures, and transactions with other wholly owned group companies are not disclosed separately.
- The requirements of paragraphs 134 and 135 of IAS 36.

All shareholders were notified in writing of the intention to take these exemptions, and no objections were made. Where required, equivalent disclosures are given in the group accounts of Pepperstone Group Limited. Pepperstone Group Limited is registered at Level 16, 727 Collins Street, Melbourne, Victoria 3008 Australia, while the accounts of the Group are publicly available via the Australian Securities and Investments Commission (ASIC) website at <https://asic.gov.au>.

The financial statements are presented in pound sterling ("GBP") and all values are rounded to the nearest whole pound unless otherwise stated.

c) Going concern

The financial statements are prepared on a going concern basis as disclosed in the directors' report.

Covid-19 has had far reaching impacts across the global economy. Whilst many companies are experiencing hardships, Pepperstone has been largely unimpacted. The decrease in clients and volumes is due to Brexit and a lack

of volatility in the market towards the end of the year rather than any impact from Covid.

The Company carries out 12 monthly forecasting analysis and as a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the next 12 months.

d) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the Company applies an accounting policy retrospectively, it makes a retrospective restatement or reclassifies items in its statement of financial position as at the beginning of the earliest comparative period that will be presented.

e) Financial instruments

The Company determines the classification of its financial instruments at initial recognition in accordance with the categories outlined below and re-evaluates this designation at each financial year-end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities measured at fair value through profit or loss includes derivative open positions included in client funds and in intercompany liabilities shown in the statement of financial position and related notes. Financial assets measured at fair value through profit and loss are financial assets that are not classified and measured at amortised cost or as fair value through other comprehensive income. All financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value with gains and losses recognised in the income statement.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets which are held to collect the contractual cash flows. The contractual terms of the financial assets give rise to payments on specified dates that are solely payments of principal and interest on the principal amount outstanding. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's financial assets measured at amortised cost includes cash and cash equivalents, trade and other receivables, and intercompany receivables.

Financial assets measured at fair value through other comprehensive income

The Company has no financial assets measured at fair value through other comprehensive income.

2. Significant accounting policies (continued)**e) Financial instruments (continued)****Financial liabilities**

The Company's financial liabilities include client funds (equity portion) and trade payables and other payables. These are measured subsequently at amortised cost using the effective interest method. The interest expense is calculated each reporting period by applying the effective interest rate, and the resulting charge is reflected in the income statement.

Determination of fair value

Financial instruments arising from open client positions and the Company's hedging positions are stated at fair value and disclosed according to the valuation hierarchy required by IFRS 7.

According to IFRS 13 'Fair value Measurement', fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at measurement date.

The best evidence of fair value is a quoted market price in an active market. Where no quoted market price for an instrument is available, the fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible or rely on inputs which are reasonable assumptions based on market conditions.

Under IFRS 13 all financial assets and liabilities measured or disclosed at fair value are categorised into one of the following levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Derecognition of financial instruments

A financial asset or financial liability is recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument, which is generally on trade date.

The Company derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

A financial liability is derecognised from the statement of financial position when the Company has discharged its obligation, or the contract is cancelled or expires.

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, bank overdrafts and client funds held on segregated client accounts.

Cash held on segregated client accounts are client monies held in trust for the purposes of client trading in financial instruments. These amounts are restricted from the Company's personal use under the regulations set out by its Financial Conduct Authority Licence No. 684312.

g) Client funds

As part of its business, the Company receives deposits from clients to secure their trading positions, held on segregated client accounts.

Assets or liabilities resulting from profits or losses on open positions are carried at fair value. Client funds are netted against, or presented with, the valuation of financial derivative positions, resulting in a net payable by the Company.

h) Trade and other receivables

Trade and other receivables are initially recorded at the transaction price, except for when it contains a significant financing component. At reporting date, trade and other receivables are measured at amortised cost.

i) Property, plant & equipment

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Office equipment	40%
Computer equipment	66.6%
Leasehold improvements	40%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit and loss.

2. Significant accounting policies (continued)

j) Intangibles

Intangible assets include purchased computer software and software licenses. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised and recognised as an intangible asset where the software is controlled by the Company, and where it is probable that future economic benefits will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense as incurred.

Computer software and other intangible assets are stated at cost less amortisation and impairment losses, if any.

Capitalised software costs and other intangible assets are amortised on a diminishing value basis. The amortisation rates used for each class of intangible assets are:

Class of intangible asset	Depreciation rate
Computer software	66.6%
Licences	20%

The assets' residual values, amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

k) Impairment of financial assets

The Company recognises an expected credit loss on financial assets, including financial investments and trade receivables recorded at fair value through other comprehensive income and amortised cost. The expected credit loss approach requires the Company to account for expected credit losses at initial recognition, and to account for changes in the expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

l) Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Value in use is calculated by discounting the estimated future cash flows of the asset at a pre-tax discount rate reflecting the specific risks in the asset. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit and loss.

Impairment testing is performed annually for intangible assets with indefinite lives. Assets that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss, the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately.

m) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a liability with the amounts paid within the stipulated payment terms.

n) Intercompany netting

The Group have a policy of netting off any intercompany receivables against intercompany payables providing it's against the same Group entity, as per the relevant services agreements. Intercompany balances with the Parent can also be offset against margin account balances with the Parent.

o) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit and loss.

p) Revenue recognition

The Company makes markets for customers trading in foreign exchange ("FX") spot and contract for difference markets. Trading revenue represents related brokerage activities for establishing these markets, including spread, commission and funding charges made to clients in respect of the opening, holding and closing of contracts.

Transactions are recorded on the trade date and open client and hedging positions are carried at fair market value, with positions marked to market daily and resulting gains and losses arising recognised in trading revenue together with gains and losses realised on client positions that have closed. The policies and methodologies associated with the determination of fair value have been discussed above under financial instruments.

Trading revenue is reported gross of introductory broker commissions and is the net of amounts collected on behalf of client trading activity. Introductory broker commissions, along with other fees associated with trading activity, are disclosed as cost of sales within the statement of profit and loss.

Trading revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Company and the revenue can be reliably measured.

q) Cost of sales

Cost of sales are charged to the profit and loss when the associated revenue is recognised and is disclosed as a deduction from total revenue in deriving gross profit.

Cost of sales is primarily comprised of bank and payment provider fees, platform volume fees and client and introducing broker rebates paid.

r) Income tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities / assets are therefore measured at the amounts expected to be paid to / recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

2. Significant accounting policies (continued)

q) Income tax (continued)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting year. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. To the extent there is uncertainty over the recoverability of a deferred tax amount, no asset will be recognised.

s) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

ii. Lease liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate, are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the

lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

t) Foreign currency translation and balances

i. Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which it operates.

The financial statements are presented in Pound Sterling which is the Company's functional and presentation currency.

ii. Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit and loss, within other income. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit and loss, within other income.

u) Accounting estimates and judgements

The preparation of the financial report requires the making of accounting judgements, estimates and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses.

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

i. Impairment of financial assets

Impairment considerations of financial assets involves several important areas of judgement, including estimating forward looking modelled parameters (probability of default, loss given default, exposure to default etc.), developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk, based on the Company's experience of managing credit risk. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

ii. Estimation of useful lives

The estimation of useful lives, residual values and depreciation methods require significant management judgement and are reviewed annually. Any changes to useful lives may affect prospective depreciation rates and asset carrying values.

From time to time the Company may receive customer complaints or be subject to various litigation or regulatory claims.

2. Significant accounting policies (continued)

u) Accounting estimates and judgements (continued)

iii. Litigations and other claims

Where a claim is considered to be more likely than not to result in a cost to the Company, a provision has been made based on management's best estimate of the cost to the Company of settling such claims.

v) Employee benefits

i. Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed in the statement of profit and loss as a component of the profit or loss as the related services are provided. A provision is recognised for the amount expected to be paid under short-term cash bonus plans and outstanding annual leave balances if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

ii. Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3. Revenue

The Company earns revenue through commissions, spreads and swaps on CFDs and spread-bets.

4. Employee expenses

	30 June 2021	Restated 30 June 2020
	£	£
Employee expenses		
Wages and salaries	2,115,981	1,757,398
Social security costs	257,958	182,365
Contribution to pension schemes	44,143	42,558
Health insurance	6,566	3,033
Total employee expenses	2,424,648	1,985,354

	No.	No.
The average number of employees (including executive directors) was:		
Management	6	6
Other	19	12
Total average employees	25	18

Restatement

Previously we disclosed employee NI and PAYE within social security costs and only included net remuneration within wages and salaries. This was an error corrected in the current year and we have restated the comparatives accordingly. We now show wages and salaries gross and only show employer related costs within social security costs.

	30 June 2020	Adjustment	Restated 30 June 2020
	£	£	£
Employee expenses			
Wages and salaries	1,162,346	595,052	1,757,398
Social security costs	777,417	(595,052)	182,365
Contribution to pension schemes	42,558	-	42,558
Health insurance	3,033	-	3,033
Total employee expenses	1,985,354	-	1,985,354

5. Tax on profit and ordinary activities

	30 June 2021	30 June 2020
	£	£
Tax charge comprises:		
Current tax		
UK Corporation tax expense	435,349	1,472,693
Adjustment in respect of prior years	108	1,047
Deferred tax		
Current year	90	935
Adjustment in respect of previous periods	-	(363)
Effect of changes in tax rates	-	475
Total tax expense	435,547	1,474,787
Reconciliation of income tax expense		
Profit for the period - continuing activities	2,034,295	7,747,817
UK tax expense for the year at 19% (2020: 19%)	386,516	1,472,085
Effects of:		
Adjustments in respect of prior years	108	684
Expenses not deductible	48,923	1,543
Tax rate changes	-	475
Total income tax expense	435,547	1,474,787

The Company has recognised a deferred tax liability of £5,525 in 2021 (2020: £5,435).

The UK corporation tax rate will remain at 19% for the tax year beginning 1 April 2021 as per the UK government budget presented on 3 March 2021. However, the tax rate for 2023 onwards will increase to 25%.

Movements in deferred tax assets and liabilities were as follows:

	Capital allowances	Temporary differences	Total
	(£)	(£)	(£)
At 1 July 2019	(4,706)	318	(4,388)
Adjustment in respect of prior years	-	363	363
Credit/(charge) to the income statement	(1,410)	-	(1,410)
At 30 June 2020	(6,116)	681	(5,435)
Adjustment in respect of prior years	-	-	-
Credit/(charge) to the income statement	(90)	-	(90)
At 30 June 2021	(6,206)	681	(5,525)

6. Intangible assets

	Note	30 June 2021	30 June 2020
		£	£
Computer software		614	614
Less accumulated amortisation		(614)	(553)
Carrying amount of computer software		-	61
Platform licences		124,658	124,658
Less accumulated amortisation		(66,029)	(52,928)
Carrying amount of platform licences		58,629	71,730
Total intangible assets		58,629	71,791

Reconciliation of intangible assets

Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year.

	30 June 2021	30 June 2020
	£	£
Computer software		
Carrying amount at beginning of year	61	209
Amortisation	(61)	(148)
Carrying amount at end of year	-	61
Platform licences		
Carrying amount at beginning of year	71,730	87,759
Amortisation	(13,101)	(16,029)
Carrying amount at end of year	58,629	71,730
Total intangible assets	58,629	71,791

7. Property, plant & equipment

	30 June 2021	30 June 2020
	£	£
Computer hardware	109,762	76,810
Less accumulated depreciation	(75,969)	(45,785)
Carrying amount of computer hardware	33,793	31,025
Furniture & fittings	2,444	2,444
Less accumulated depreciation	(1,872)	(1,496)
Carrying amount of furniture & fittings	572	948
Total property, plant & equipment	34,365	31,973

7. Property, plant & equipment (continued)**Reconciliation of property, plant & equipment**

Movement in the carrying amounts for each class of property, plant & equipment between the beginning and the end of the current financial year.

	30 June 2021	30 June 2020
	£	£
Computer hardware		
Carrying amount at beginning of year	31,025	26,254
Additions	32,952	26,586
Depreciation	(30,184)	(21,815)
Carrying amount at end of year	33,793	31,025
Furniture & fittings		
Carrying amount at beginning of year	948	1,428
Depreciation	(376)	(480)
Carrying amount at end of year	572	948
Total property, plant & equipment	34,365	31,973

8. Leases

During the year, as a result of the Covid-19 pandemic, and in line with the UK Government guidelines, staff of the Company have mainly been working from home. The Company successfully renegotiated its lease terms for a smaller floor space and a lower price.

For administrative purposes, the Company also contracted for an office lease in Germany on behalf of Pepperstone GmbH.

a) Right-of-use asset

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2021. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	30 June 2021	30 June 2020
	£	£
Right of use asset	152,677	554,306
Less accumulated depreciation	(19,085)	(195,637)
Carrying amount of right of use asset	133,592	358,669
Total right of use asset	133,592	358,669
Reconciliation of right of use asset		
Right of use asset		
Carrying amount at beginning of year	358,669	-
Disposals	(195,637)	-
Additions	152,677	554,306
Depreciation	(182,116)	(195,637)
Total right of use asset	133,592	358,669

8. Leases (continued)**b) Lease liability**

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 5.5%.

	30 June 2021	30 June 2020
	£	£
70 Gracechurch Street, London, United Kingdom		
Lease liability at beginning of year	376,817	-
Derecognition of old lease	(217,161)	-
New lease agreements - present value of lease liabilities	152,677	554,306
Lease payments made in the year	(177,715)	(202,029)
Accretion of interest	14,226	24,540
Lease liabilities recognised as at end of year	148,844	376,817
Neubrückstrasse 1, Dusseldorf, Germany		
New lease agreements - present value of lease liabilities	137,626	-
Lease payments made in the year	(43,057)	-
Lease liabilities recognised as at end of year	94,569	-
Total lease liability	243,413	376,817
Lease liabilities - current	211,796	193,493
Lease liabilities - non-current	31,617	183,324
Total lease liability	243,413	376,817

c) Lease commitments

	30 June 2021	30 June 2020
	£	£
70 Gracechurch Street, London, United Kingdom		
Payable - minimum lease payments		
No later than 1 year	117,227	193,493
Between 1 year and 5 years	31,617	183,324
Greater than 5 years	-	-
Balance at end of year	148,844	376,817
Neubrückstrasse 1, Dusseldorf, Germany		
Payable - minimum lease payments		
No later than 1 year	94,569	-
Between 1 year and 5 years	-	-
Greater than 5 years	-	-
Balance at end of year	94,569	-
Total at year end	243,413	376,817

9. Cash and cash equivalents

	30 June 2021	30 June 2020
	£	£
Cash at bank - own cash	5,823,881	3,683,141
Cash at bank - segregated client funds	14,446,095	14,636,692
Total cash and cash equivalents	20,269,976	18,319,833

There are no overdrafts or facilities on cash held. There are no liens over own cash. The segregated client funds belong to clients.

10. Trade and other receivables

	30 June 2021	30 June 2020
	£	£
Amounts due from payment providers	892,341	780,780
Net investment in the lease	94,569	-
Intercompany receivables	4,814,843	2,835,956
Other assets	98,512	40,169
Total trade and other receivables	5,900,265	3,656,905

11. Prepayments and accrued income

	30 June 2021	30 June 2020
	£	£
Prepayments	44,260	57,085
Total prepayments	44,260	57,085

12. Creditors

	30 June 2021	30 June 2020
	£	£
Amounts falling due within one year		
Client funds	(14,485,970)	(14,660,289)
IB funds	(68,296)	(77,305)
Trade payables	(30,419)	(74,187)
Intercompany liabilities	(6,678,732)	(713,402)
Deferred tax liabilities	(5,525)	(5,435)
Corporation tax	-	(1,180,371)
Accruals	(768,644)	(262,222)
Other liabilities	(79,543)	(3,387)
Lease liabilities	(211,796)	(193,493)
Total amounts falling due within one year	(22,328,925)	(17,170,091)
Amounts falling due after more than one year		
Lease liabilities	(31,617)	(183,324)
Total amounts falling due after more than one year	(31,617)	(183,324)
Total creditors	(22,360,542)	(17,353,415)
*Client funds is comprised of the following:		
Client funds equity*	(15,654,882)	(17,498,569)
Financial derivative open positions:		
Gross amount of assets**	1,265,887	3,026,054
Gross amount of liabilities**	(96,975)	(187,774)
Total financial liabilities	(14,485,970)	(14,660,289)
Intercompany liabilities**	(6,709,899)	(753,096)
Financial derivative open positions:		
Gross amount of assets**	65,951	101,232
Gross amount of liabilities**	(34,784)	(61,538)
Total financial liabilities	(6,678,732)	(713,402)

*Client funds represent the outstanding liability of the Company to its clients, which includes deposits with the Company for the purpose of trading net of any realised gains or losses resulting from closed transactions. The above amounts are all quoted in GBP.

**The financial derivative open positions were originally recorded at fair value based on the quoted market price. These are subsequently measured at fair value through profit or loss. These open derivative positions held on behalf of clients across eleven currencies generate exposure to currency rate movement. This market risk is offset with the Parent company, where all positions are held back to back.

13. Provisions for liabilities

	30 June 2021	30 June 2020
	£	£
Annual leave		
Balance at beginning of year	(62,346)	(20,482)
Utilised during the year	44,618	13,024
Additional provisions	(48,605)	(54,888)
Balance at end of year	(66,333)	(62,346)
Bonus provisions		
Carrying amount at beginning of year	(158,126)	(96,667)
Utilised during the year	185,836	386,531
Reversed during the year	153,666	1,500
Additional provisions	(674,471)	(449,490)
Balance at end of year	(493,095)	(158,126)
Current	(559,428)	(220,472)
Non-current	-	-
Total provisions	(559,428)	(220,472)

Annual leave provisions relate to employee entitlements expected to be paid or settled within 12 months of employees rendering service.

Bonus provisions relate to accrued staff bonuses payable for the year. The bonus amounts were settled in July 2021 (2020: July 2020).

14. Called-up share capital

	30 June 2021	30 June 2021	30 June 2020	30 June 2020
	Number of shares	£	Number of shares	£
Ordinary shares, allotted, authorised and fully paid				
Balance at beginning of year	956,380	956,380	956,380	956,380
Balance at end of year	956,380	956,380	956,380	956,380

The Company has one class of ordinary shares which carry no right to fixed income. In the event of liquidation, assets would be distributed among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares. All ordinary shares rank pari passu in all respects.

15. Contingent liabilities

Legal and regulatory matters may give rise to a material future outflow of economic benefit, however, the Company currently does not consider that there are any matters where an economic outflow is probable.

16. Related party transactions

The Company has adopted the disclosure exemptions under FRS 101 for Related Party Disclosures.

	30 June 2021	30 June 2020
	£	£
Pepperstone Group Limited	(1,856,500)	1,325,234
Pepperstone GmbH	17,762	54,666
Pepperstone EU Limited	14,749	718,040
Pepperstone Financial Services (DIFC) Limited	(56)	24,613
Pepperstone Operations Pty Limited	(39,844)	-
Total	(1,863,889)	2,122,553

There were no provisions for doubtful debts or any expenses recognised in relation to doubtful debts due from related parties for the year ended 30 June 2021 (2020: £nil). Other than transactions entered into between the various Group undertakings and the Company, there have been no transactions with other related parties, or loans to related parties outstanding as at 30 June 2021 (2020: £nil).

During financial year 2020, a director received an interest free non-recourse loan, repayable over 10 years from a related Group entity for the purposes of acquiring shares in a related party. As of 30 June 2021, there was an amount outstanding of AUD \$848,011 (2020: AUD \$561,330).

17. Dividends and distributions

	30 June 2021	30 June 2020
	£	£
Dividends declared and paid		
First Interim dividend for the year of £3.5160 per share	-	3,362,600
First Interim dividend for the year of £3.1368 per share	3,000,000	-
Total dividends	3,000,000	3,362,600

18. Auditor's remuneration

	30 June 2021	30 June 2020
	£	£
Audit of the financial statements	79,700	65,300
Other audit related fees	42,200	40,200
Tax advisory service	12,000	9,110
Other non-audit	1,500	-
Total auditor's remuneration	135,400	114,610

19. Financial instruments**Categories of financial instruments at fair value**

As a financial services business, financial instruments are central to the Company's activities. The risk associated with financial instruments represents a significant component of those faced by the Company and is analysed in more detail below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

a) Classification

The following tables analyse the Company's assets and liabilities in accordance with the categories of financial instruments in IFRS 9.

	Amortised Cost	Fair value through profit or loss
	£	£
At 30 June 2021		
Assets		
Cash and cash equivalents	20,269,976	-
Trade and other receivables	5,900,265	-
Prepayments and accrued income	44,260	-
Client funds - open derivatives	-	1,265,887
Intercompany - open derivatives	-	65,951
Total assets	26,214,501	1,331,838
Liabilities		
Client funds	(15,654,882)	-
IB funds	(68,296)	-
Trade payables	(30,419)	-
Intercompany liabilities	(6,709,899)	-
Deferred tax liabilities	(5,525)	-
Accruals	(768,644)	-
Other liabilities	(79,543)	-
Lease liabilities	(243,413)	-
Client funds - open derivatives	-	(96,975)
Intercompany - open derivatives	-	(34,784)
Total liabilities	(23,560,621)	(131,759)

19. Financial instruments (continued)

	Amortised Cost	Fair value through profit or loss
	£	£
At 30 June 2020		
Assets		
Cash and cash equivalents	18,319,833	-
Trade and other receivables	3,656,905	-
Prepayments and accrued income	57,085	-
Client funds - open derivatives	-	3,026,054
Intercompany - open derivatives	-	101,232
Total assets	22,033,823	3,127,286
Liabilities		
Client funds	(17,498,569)	-
IB funds	(77,305)	-
Trade payables	(74,187)	-
Intercompany liabilities	(753,096)	-
Deferred tax liabilities	(5,435)	-
Corporation tax	(1,180,371)	-
Accruals	(262,222)	-
Other liabilities	(3,387)	-
Lease liabilities	(376,817)	-
Client funds - open derivatives	-	(187,774)
Intercompany - open derivatives	-	(61,538)
Total liabilities	(20,231,389)	(249,312)

19. Financial instruments (continued)**b) Valuation**

The fair values of the Company's financial assets and liabilities are not materially different from their carrying values. The Company holds derivatives which have been measured at fair value through profit or loss subsequent to initial recognition.

Financial instrument valuation hierarchy

The hierarchy of the Company's financial instruments carried at fair value is as follows:

	Level 1	Level 2	Level 3	Total fair value
	£	£	£	£
At 30 June 2021				
Financial assets				
Client funds - open derivatives	-	1,265,887	-	1,265,887
Intercompany - open derivatives	-	65,951	-	65,951
Total financial assets	-	1,331,838	-	1,331,838
Financial liabilities				
Client funds - open derivatives	-	(96,975)	-	(96,975)
Intercompany - open derivatives	-	(34,784)	-	(34,784)
Total financial assets	-	(131,759)	-	(131,759)
At 30 June 2020				
Financial assets				
Client funds - open derivatives	-	3,026,054	-	3,026,054
Intercompany - open derivatives	-	101,232	-	101,232
Total financial assets	-	3,127,286	-	3,127,286
Financial liabilities				
Client funds - open derivatives	-	(187,774)	-	(187,774)
Intercompany - open derivatives	-	(61,538)	-	(61,538)
Total financial assets	-	(249,312)	-	(249,312)

There have been no changes in the valuation techniques for any of the Company's financial instruments held at fair value in the year (30 June 2020: £nil). There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements for years ended 30 June 2021 and 30 June 2020.

c) Credit risk

Credit risk exposure relating to financial asset receivables arises from the potential non-performance by counterparties of contract obligations that could lead to financial losses for the Company.

It is the Company's policy not to grant credit to clients. Insofar as that underlying contracts represent a leveraged trading service, the "credit" applicable to the client's account is limited to the amount of margin within that account, as such there is minimal exposure to the Company.

The Company has in place systems on its trading platforms that will not permit a client to trade in excess of the margin balance on their account as described below.

19. Financial instruments (continued)**c) Credit risk (continued)****Maximum exposure to credit risk**

The following table analyses the Company's maximum exposure to credit risk at their carrying amounts and includes individual client funds held in segregated client accounts.

	30 June 2021	30 June 2020
	£	£
Cash and cash equivalents	20,269,976	18,319,833
Amounts due from payment providers	892,341	780,780
Amounts due from Group undertakings	4,814,843	2,835,956
Prepayments and accrued income	44,260	57,085
Other assets	98,512	40,169
Total maximum exposure to credit risk	26,119,932	22,033,823

i) Neither past due nor impaired

The following table shows the credit quality of financial assets which are neither past due nor impaired.

	Cash and cash equivalents	Amounts due from payment providers	Amounts due from Group undertakings	Prepayments and accrued income	Other assets	Total
	£	£	£	£	£	£
At 30 June 2021						
AAA - A2	20,269,976	-	-	-	-	20,269,976
Unrated	-	892,341	4,814,843	44,260	98,512	5,849,956
Total carrying amount	20,269,976	892,341	4,814,843	44,260	98,512	26,119,932
At 30 June 2020						
AAA - A2	18,319,833	-	-	-	-	18,319,833
Unrated	-	780,780	2,835,956	57,085	40,169	3,713,990
Total carrying amount	18,319,833	780,780	2,835,956	57,085	40,169	22,033,823

ii) Past due but not impaired

As at the year ended 30 June 2021, there are no financial assets that are past due but not impaired (2020: £nil).

iii) Impaired

As at the year ended 30 June 2021, there are no financial assets that are considered impaired (2020: £nil).

Concentration of credit risk

Concentration of credit risk is defined as the risk exposure to a counterparty with a loss potential which is large enough to threaten the solvency or the financial position of the Company.

The Company's main concentration risk is cash held in bank accounts. Cash is split across two different banks across eleven currencies to minimise its credit risk against market volatility and both banks have A ratings.

As at 30 June 2021, all financial assets are neither past due nor impaired (2020: £nil).

19. Financial instruments (continued)**d) Market risk****i) Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The Company has limited exposure to interest rate risk on its cash positions and any borrowings. Cash is held in non-interest-bearing current accounts. The Company has access to overdraft facilities, which are currently not being utilised. The impact of an increase / decrease in interest rates would have an immaterial impact on pre-tax profits and / or equity. The net exposure at the end of the reporting period is representative of what the Company was and is expecting to be exposed to at the end of the next twelve months.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Exposure to foreign currency risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in foreign currency will affect future cash flows or the fair value of assets and liabilities.

The Company has no traded market risk as all market risk is borne by the Parent.

Translational foreign currency risk

Translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the Company's presentation currency. The Company does not hedge translational exposures as they do not have a significant impact on the Company's capital resources.

To manage this risk, the Company regularly analyses its currency groups by netting the currency's cash balances with the respective liabilities. If the net position of a currency group is in deficit, funds from a currency group that is in surplus may be converted and transferred to bring the deficit currency group into surplus.

Sensitivity analysis

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the end of the reporting period.

The table below shows the pre-tax impact of a change in foreign currency exchange rates as at 30 June assuming all other variables remain constant.

	30 June 2021	30 June 2020
	£	£
+5% strengthening of sterling against other currencies	557,848	120,971
-5% weakening of sterling against other currencies	(557,848)	(120,971)

The net exposure at the end of the reporting period is representative of what the Company was and is expected to be exposed to at the end of the next twelve months.

Collateral

Notwithstanding that all traded market risk is borne by the Parent, the trading operations of the Company require a commitment of our capital and involves risk of loss due to the potential for client losses to exceed the amount of cash in their account. As a result, we require that each trade must be collateralised in accordance with our margin policies.

e) Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations relating to financial liabilities. The Company manages this risk through the following mechanisms:

- preparing forecast cash flow analysis in relation to its operational, investing and financial activities, monitored on a quarterly basis; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses by preparing a 12-monthly cash flow forecasts.

The Company is required to maintain a minimum level of capital pursuant to the requirements of Basel II / Capital Requirements Directive IV. This capital adequacy balance is monitored closely by the Board on a regular basis through inter-alia a review of the Company's Common Reporting Framework returns. Further, the Board reviews the Internal Capital Adequacy Assessment Process document annually.

19. Financial instruments (continued)**Maturity profile of financial liabilities**

The tables below summarise the maturity profile of the Company's financial liabilities at balance sheet date based on contractual undiscounted repayment obligations as at 30 June 2021. The Company does not expect the majority of customers to request repayment on the earliest date that the Company could be required to pay, and the tables do not reflect the expected cash flows indicated by the Company's client deposit retention history.

	On demand	0-3 months	3-12 months	1-5 years	5+ years	Total
	£	£	£	£	£	£
At 30 June 2021						
Client funds	(14,485,970)	-	-	-	-	(14,485,970)
IB Funds	(68,296)	-	-	-	-	(68,296)
Intercompany liabilities	(6,678,732)	-	-	-	-	(6,678,732)
Trade payables	-	(30,419)	-	-	-	(30,419)
Total	(21,232,998)	(30,419)	-	-	-	(21,263,417)
At 30 June 2020						
Client funds	(14,660,289)	-	-	-	-	(14,660,289)
IB Funds	(77,305)	-	-	-	-	(77,305)
Intercompany liabilities	(713,402)	-	-	-	-	(713,402)
Trade payables	-	(74,187)	-	-	-	(74,187)
Total	(15,450,996)	(74,187)	-	-	-	(15,525,183)

20. Directors' remuneration

	30 June 2021	30 June 2020
	£	£
Directors' remuneration		
Emoluments	579,730	643,125
Company contributions to money purchase pension schemes	5,652	5,652
Total directors' remuneration	585,382	648,777
The number of directors who:		
Are members of a money purchase scheme	2	2
Total shareholders' funds	2	2
Remuneration of the highest paid director		
Emoluments	430,989	500,000
Company contributions to money purchase pension schemes	4,118	4,118
Total remuneration of the highest paid director	435,107	504,118

21. Capital management

The legal and regulatory framework under which the Company operates, stipulates that the Company must maintain a minimum capital adequacy ratio of 8%. The method of calculation is determined in accordance with the provisions of the The Capital Requirements Regulation (Amendment) (EU Exit) Regulations 2021. The Company aims to always maintain a high capital adequacy ratio well above the required minimum. The Company's capital adequacy ratio as at year end was 31% (2020: 36%). The capital adequacy ratio is reported to the Company's regulatory authority on a quarterly basis, and disclosures have been made in accordance with the Capital Requirements Regulation (Pillar III).

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

22. Controlling party

The Company's immediate parent company was Pepperstone Group Limited, a Company incorporated in Australia (see note 23).

The Company's ultimate parent company and controlling party is FX HoldCo Pty Ltd, a Company incorporated in Australia. This is the parent undertaking of the largest group, which includes the Company and for which group accounts are prepared.

23. Subsequent events

On 28 September 2021, the Company's shareholder changed from Pepperstone Group Limited to FX MidCo Pty Limited, a company incorporated in Australia.



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