# TTT Moneycorp Limited

## Annual report and financial statements for the year ended 31 December 2018

Registered number: 00738837

# TTT Moneycorp Limited
## Company information

**Independent auditors**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

**Registered office**
Floor 5, Zig Zag Building
70 Victoria Street
London
SW1E 6SQ

**Directors**
S Green
N Haslehurst
M Horgan
R Moores

**Company registration number**
00738837

**Date of incorporation**
25 October 1962

**Trading name**
moneycorp

# TTT Moneycorp Limited

## Contents

# TTT Moneycorp Limited
## Strategic report
For the year ended 31 December 2018

The Directors present their strategic report for TTT Moneycorp Limited (the 'Company') for the year ended 31 December 2018. The Company is domiciled in the United Kingdom and incorporated in England.

**Principal activities and overview**
Moneycorp is one of the UK's leading independent international payment and foreign exchange businesses. Over the past 40 years it has transformed into a technology led business, developing a specialised platform serving the needs of clients, via online, application and phone based channels. The proficiency of the Company's platform in executing payments, a wide range of foreign exchange products, reconciliation and reporting services provides the Company's customers access to all products as efficiently as possible. The vision of the Company is to be first choice for its customer's international payments and foreign exchange needs.

The Company and its subsidiaries operate across the entire value chain of the international payments and foreign exchange industry. Its offices and employees whilst centered in the UK, now operate in South America, Europe (including branches in Romania and Ireland), Australia, United Arab Emirates (UAE) and India and total 210 people.

In recent years the Company has strategically focused on building a fully integrated proprietary payments platform. This platform processes and delivers a wide range of foreign currency exchange risk management solutions and international payments for clients ranging from mid-cap corporates to small and medium sized enterprises (SME's), commercial banks, central banks and private clients. The Company's technology, which has been the centre of investment, operates in multiple countries, under multiple licences and legal entities, utilising mainly the Moneycorp brand and also a number of white label/co-brands.

The Company's strategy is to continue growing its business primarily by capitalising on the strength of its technology, high quality service, transparent pricing and cost efficient operating model. It aims to grow market share in existing markets by increasing its product awareness and developing further product enhancements, making platform improvements and utilising pricing leverage. In addition, the business will continue to enter the markets in more countries, extend its distribution network, launch more innovative products, and improve the efficiency of its operating cost base. As a strategic priority, the Company continues to maintain the highest standards of compliance, thereby reinforcing the trust which customers, partners, wholesalers and regulators place in its brand.

The Company has invested in a series of initiatives around expansion and product development over the last 12 months. The Company acquired First Rate FX Limited, a UK-based international payments business, this transaction was completed on 31 January 2018. First Rate FX Limited's customers were migrated to Moneycorp's platform and the TTT Moneycorp Limited legal entity in Q2 2018, with First Rate FX Limited now being a dormant entity.

On 8 January 2018 Moneycorp Brasil Participacoes Ltda, a wholly owned subsidiary of the Company, acquired 42.5% of Novo Mundo Corretora de Cambio S/A, a Brazilian FX business. A further 47.5% was acquired subsequent to year end. Refer to Company outlook for further details. This was funded via additional share capital paid from the Company to Moneycorp Brasil Participacoes Ltda.

In Q2 2018 the Company established an office in the UAE and acquired a licence from the local regulator.

**Operational review**
In 2018 the business saw increased revenue growth and increased levels of profitability using the Company's key performance indicator of earnings before interest, tax, depreciation and amortisation (EBITDA) against the back drop of continued investment in the product proposition to support future growth.

### Technology
The Company continued to invest and rollout its new 'react' technology based online platform. This platform provides a multilingual, feature rich platform to service both corporate and private clients. Alongside the online investment the Company continues to invest in application based technology adding features and sophistication relevant to customer using these products. The Company also continues to invest in application programming interface (API) based technology to support a range of corporate customers wanting a more integrated service. A multi-currency IBAN and virtual IBAN accounts for customers was also launched in 2018.

### Regulatory
The Company successfully renewed its payments licence in the UK during 2018 and delivered all the relevant operational and technological changes to ensure compliance with Payment Services Directive ('PSD') II.

### Key strengths

**Compliance at the heart of the Company's operations in all jurisdictions**
Compliance and risk management are at the heart of the Company's business, and the business understands that this remains critical to long-term sustainable returns. As a strategic priority, the Company continues to maintain the highest standards of compliance, proactively engaging with regulators in all jurisdictions in which it operates and thereby reinforcing the trust from its customers, partners and brand. The Company takes the trust it has earned very seriously and will continue to invest in both people and technology to enhance its compliance capabilities.

During the year the Company invested to ensure compliance with PSD II regulations. This required technological changes, operational process changes and the submission of a PSD II licence application in the UK which was approved on 20 April 2018.

### Market opportunity
The market for international payments and foreign exchange products provided to both corporate and private clients continues to be dominated by high street banks. In all the markets the Company operates, the Company has a low market share providing a large market opportunity for our future growth ambitions. The continued client growth and flexibility of our technology, as demonstrated by our acquisitions in 2018, highlights the viability of our business model for future growth.

### Performance measurement
The Company's most significant Key Performance Indicators (KPIs) are measured across three main business units (see below) as follows:

- Revenue growth
- Customer acquisition and retention
- EBITDA growth

Each business unit has a management team responsible for the operations of the business division and uses a number of financial and non-financial KPIs in order to manage and develop the business to achieve the Company's strategic objectives. These are discussed in the operating reviews of each business unit below.

### Operating review
Company revenue and EBITDA are financial performance indicators that management uses internally to assess performance. They are presented here to provide greater understanding of the underlying performance of the Company's operations.

The management accounts that are used internally are based on Generally Accepted Accounting Practice in the UK ('UK GAAP') whereas the statutory results are reported under International Financial Reporting Standards as adopted by the European Union ('EU IFRS') which results in differences in the revenue recognised in respect of forward and option derivative contracts. All other measurement policies used in preparing the management results are consistent with those used in preparing the statutory financial statements.

**Operating review - continued**

Company revenue and EBITDA within the business segments are summarised in the following table. A reconciliation to statutory reported results is also shown.

| £m | 2018 | 2017 | Growth |
|---|---|---|---|
| **Revenue** | | | |
| Corporate | 25.7 | 23.4 | 10% |
| Private | 21.6 | 23.9 | (10%) |
| Payment solutions | 1.9 | 1.6 | 19% |
| Share of Brazilian associate | 1.7 | - | 100% |
| **Total revenue** | **50.9** | **48.9** | **4%** |
| | | | |
| **EBITDA** | | | |
| Corporate | 15.9 | 12.4 | 28% |
| Private | 8.1 | 8.8 | (8%) |
| Payment solutions | 0.6 | 0.8 | (25%) |
| Share of Brazilian associate | (0.2) | - | (100%) |
| **Total EBITDA** | **24.4** | **22.0** | **11%** |

**Reconciliation of Company management accounts to statutory reported results for the year:**

| £m | Revenue 2018 | EBITDA 2018 | Revenue 2017 | EBITDA 2017 |
|---|---|---|---|---|
| Total per Management accounts | 50.9 | 24.4 | 48.9 | 22.0 |
| Adjustment under EU IFRS | (0.5) | (0.5) | (0.1) | (0.1) |
| Statutory reported results- continuing operations | **50.4** | **23.9** | **48.8** | **21.9** |

**Revenue**

Revenue increased by £2m (4%) (2017: £1.6m decrease (3%)) to £50.9m (2017: £48.9m). The corporate business grew by £2.3m (2017: £1.3m) in the year with the private client division decreasing by £2.3m (2017: £3.9m decrease). Payments solutions also showed growth of £0.3m (2017: £0.9m).

**EBITDA**

Throughout the financial statements EBITDA is defined as earnings before finance costs, tax, depreciation, amortisation and significant one off items.

Company EBITDA increased by £2.4m (2017: £1.5m decrease) to £24.4m (2017: £22m).

The results of the core operating businesses are detailed below:

**Corporate**

The corporate business unit's revenue grew by 10% (2017: 6%) to £25.7m adding £2.3m (2017: £1.3m). This business is centered on SME importers and exporters in the UK and Ireland providing a range of products including international payments, spot trades, hedging and derivative solutions for these customers. The acquisition of First Rate FX Limited during the year contributed an additional £0.9m to EBITDA. During the year there was also a growing contribution from the Spanish and Romanian corporate offices which, after being setup in 2016, are now breaking even.

The business unit is focused on winning and retaining customers by providing superior product offerings, technology, service and pricing solutions.

The business unit reported a new customer drop off rate of 9% during the year (2017: 6%) and a customer retention rate of 95% (2017: 91%). The total volume of transactions grew by 5% (2017: 17%).

**Operating review - continued**

**Private**

During the year the private client business unit saw revenue fall by £2.3m representing a 9% decrease (2017: £3.9m, 14% decrease).

The business unit saw a fall in active customer growth of 7% (2017: 25% decrease), and saw revenue per deal increase by 1% (2017: 6% decrease) against the backdrop of Brexit uncertainty which has impacted the appetite for international house purchases.

Investment during the year was focussed on continuous development of the private client platform into a multilingual site capable of being rolled out as the Company continues to expand.

**Payment solutions**

Payment solutions saw an increase in revenue of 20% (2017: 167%) due to the continued take up of the technology offering that allows bulk international payments to be processed at a fraction of the cost that high street banks charge.

**Loss for the year**

The Company reported a statutory loss for the year of £4.1m (2017: £11.8m profit).

Explanations of the items contributing to the statutory loss are detailed below.

**Depreciation and amortisation**

The Company charged £4.8m of amortisation of intangibles during the year (2017: £2.5m). The depreciation charge for the year was £0.9m (2017: £1.8m).

**One-off items**

The Company has incurred one off operating costs of £4.8m (2017: £3.6m operating costs). The key items making up these balances are as follows:

- Acquisition and integration costs – the Company incurred costs relating to the US and Brazil based acquisitions of £3.2m.
- Staff costs – the Company incurred redundancy costs of £0.8m relating to support centre roles that were outsourced and relocated.
- Other - Legal fees relating to trademarks and other restructuring costs of £0.5m were also incurred.

These costs are included in administrative expenses in the statement of comprehensive income.

**Taxation**

The tax charge for the continuing business was £0.5m (2017: £0.9m). Cash corporation tax paid was £2.0m (2017: £1.3m). For further details of the tax charge see note 9.

**Net assets**

The net assets of the Company at 31 December 2018 were £67.3m (2017: £70.9m).

**Outlook**

The Company has made a solid start to 2019 and remains focused on delivering substantial growth.

The majority share purchase of Novo Mundo Corretora de Cambio S/A was completed on 31 January 2019. The business is in the final stages of applying for its FX Bank licence which is forecast to complete in Q3 2019.

The Company continues to work on international acquisition opportunities as it looks to accelerate its growth via expansion into Australia. The Company has a clear strategy to grow internationally through both organic growth and acquisitions, developing primarily the international payments business and building on scale advantages that its technology platform provides.

**Outlook – continued**
Moneycorp is closely monitoring the implications of Brexit on its business and in particular the Company's ability to passport its licences across Europe. The Company is well progressed in contingency planning in the event that passporting rights are removed once the United Kingdom leaves the European Union having chosen Ireland as its preferred country to obtain a Markets in Financial Instruments Directive (MiFID) and payment services licence. The application is under way and is expected to be completed in Q3 2019.

**Going concern**
The Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis and this is the basis which has been applied. The assessment of going concern has been undertaken by considering the risk factors below as well as the factors detailed in the significant estimates and judgements section of the accounting policies (see note 5).

**Risk management**
The Company's risk management framework is designed to ensure that material business risks throughout the organisation are identified and effectively managed. The Company operates a risk management model with three lines of defence and responsibility for risk management resides at all levels, from the Board and the executive committee down through the organisation. These responsibilities are distributed so that risk/return decisions are taken at the most appropriate level, as close as possible to the business, and remain subject to effective review and challenge. The responsibilities for effective review and challenge reside with senior managers, the audit committee, internal audit, the independent risk function, the Company risk committee and ultimately the Board.

The Company has identified the following key areas of risk:

**Operational risk** - Management has identified operational risk as the business's primary risk. Operational risk includes the risk arising within the organisation from inadequate or failed internal processes, inadequately designed or maintained systems, inappropriate staff levels or inadequately skilled or managed people. Operational risk exposures are identified, managed and controlled by management at all levels of the Company. Internal controls include the organisational structures and delegation of authority within the Company. This is designed to manage, rather than eliminate, the risk to the achievement of business objectives. The Company's operational budgets include appropriate investment levels to ensure that critical systems and processes are maintained, that customer data is protected and staff are properly trained and developed.

**Cyber and technology risk**
The Company has invested heavily in cyber security software that enables the detection of malware, viruses and phishing scams. The Company has also introduced a cyber security training programme for all staff to raise awareness of the potential threats and tactics used by cyber criminals.

**Financial risk**

***Currency risk*** - The Company has overseas operations with foreign currency exposure in Ireland, France, Spain, Romania and Brazil. As a result, it is subject to foreign exchange exposures arising from the translation of the financial results and underlying net assets of its overseas branches into pounds sterling. The Company maintains bank balances in a number of currencies and is therefore exposed to movements in foreign exchange rates on these balances.

***Liquidity risk*** - The settlement of spot and forward contracts and other short term working capital requirements requires adequate liquidity which is generated through intra-day settlement facilities. These facilities are provided by a range of financial institutions with which the Company has a long trading history. The Company manages this risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

**Financial risk - continued**

***Credit risk*** - Credit risk arises from the possibility that the Company will incur financial loss from the failure of a customer or counterparty to meet its obligations under a contract. The Company does not generally provide credit to its customers but credit exposures can arise, normally for a short period of time, as the Company depends on its customers to pay for monies and services provided and to perform on foreign exchange contracts. All material credit exposures require approval from the Company credit committee which is made up of individuals who are independent from the revenue generation functions of the business. Credit exposures are monitored daily against approved risk tolerance limits and client margins are called for where it is deemed appropriate.

The Company has £0.7m (2017: £3.1m) of receivables that have potential exposure to credit losses. However, during the year the loss was minimal £0.3m (2017: £0.2m) because the Company policies require new customers to be reviewed for creditworthiness before standard payment and delivery terms and conditions are entered into.

**Regulation and compliance risk**

Regulatory risk is the risk of the financial or reputational loss arising from failure to meet the requirements of the Company's regulators. Compliance risk is the risk that the Company fails to adhere to the relevant rules and regulations that apply to its business.

Regulatory and compliance policy is led centrally by the Company Compliance and Risk Manager and there is a dedicated team in the business to ensure compliance with Anti Money Laundering and Countering Financing of Terrorism ('AML/CFT'), sanctions and other legal, regulatory and licensing requirements including compliance with all Financial Conduct Authority (FCA) requirements. The Company's legal team, in conjunction with external legal advisers, advises on the regulatory environment in which the Company operates and provides advice on any measures required to maintain operating licences as appropriate.

**Litigation**

Following the acquisition of First Rate FX Limited and as part of the completion accounting, the Company was unable to establish completeness over the client money balances held by First Rate FX Limited. The Company used its own house cash to cover the shortfall in June 2018. The issue is being disputed by the former shareholders of First Rate FX Limited as part of a legal dispute over the completion accounts.

Two of the former shareholders of First Rate FX Limited have lodged a claim for unfair dismissal against their former employer TTT Moneycorp Limited. The Company refutes the claim and an employment tribunal is scheduled to take place in September 2019.

The Directors have assessed the specifics of the case, along with the likely outcomes and potential for any eventual liability falling upon the Company and believe this risk to be remote.

On behalf of the board

N Haslehurst
Director
26 July 2019

# TTT Moneycorp Limited
## Directors' report
For the year ended 31 December 2018

The Directors present their report and the audited financial statements of TTT Moneycorp Limited (the 'Company') incorporated and domiciled in England, United Kingdom for the year ended 31 December 2018.

**Controlling interest**
The ultimate holding company is Moneta Topco Limited (100% effective holding), a company incorporated and registered in Jersey, Channel Islands. The ultimate controller of Moneta Topco Limited is Bridgepoint Europe IV (Nominees) Limited.

**Directors**
The Directors of the Company who were in office during the year and up to the date of signing the financial statements were, unless otherwise indicated:

| | | |
|---|---|---|
| Representatives of Bridgepoint Europe IV (Nominees) Limited | S Green | Chairman |
| Executive Director | N Haslehurst | Chief Financial and Operating Officer |
| Executive Director | M Horgan | Chief Executive |
| Non-Executive Director | P Lever | (resigned 25 June 2018) |
| Non-Executive Director | R Moores | |

None of the Directors hold any interest in the shares of the Company.

Further details about the Company can be found in the Company Information on page 1.

No interim dividends were declared during the current or prior year and the Directors do not recommend the payment of a final dividend (2017: nil).

**Charities and donations**
No donations were made for charitable or political purposes during the year (year ended 31 December 2017: nil).

**Principal activities and outlook**
The principal activities and outlook for the Company are discussed in the Strategic Report.

**Financial risk management**
The Company's risk management framework is set out in the Strategic Report.

**Employee engagement**
The Company is committed to employee involvement as it believes that its business objectives are best achieved if the Company's employees understand and support the Company strategy. The Company's values of accountability, collaboration, determination, integrity and recognition are embedded through the Company's performance framework.

**Equal opportunities**
The Company's policy is not to discriminate against anyone, on any grounds. Training is available and provided to all levels of staff, and investment in employee development is a priority. The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of age, sex or sexual orientation, race, colour, disability or marital or civil partnership status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or alternative position, with appropriate retraining being given if necessary.

**Going concern assessment**
The Directors assess the Company's going concern for a period of at least 12 months from the balance sheet date and take into account the facts and circumstances during that period. In making this assessment the Directors consider:

- Whether there is sufficient liquidity and financing to support the business, its corporate transactions and future trading;
- Whether post balance sheet trading is in line with expectations;
- If the Company would be able to trade after the impact of a reasonable downside scenario on performance and covenants;
- The adequacy of insurance cover;
- Continued parental support, including through shareholder loans;
- Continued availability of financing facilities and trading lines;
- Complying with covenant requirements of financing and facilities;
- The regulatory environment in which the Company operates; and
- The effectiveness of risk management policies, in particular, business continuity, compliance, regulatory and counterparty risks.

After making enquiries and considering a range of scenarios, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has therefore prepared these financial statements on a going concern basis.

**Brexit**
The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Refer to the 'Outlook' section in the Strategic Report for details of what the Company is doing to address the uncertainties surrounding Brexit. If a no-deal Brexit was to occur and a licence is not obtained in Ireland prior to this, the Company would not be able to perform trades for any clients whom the Company is currently trading by using the FCA licence to passport across Europe. This would impact the trading of the Company's branches in Ireland, Romania and Spain.

The Directors have considered current business plans and assessed all the risks faced by the Company, including the ability to continue as a going concern as a result of Brexit. Having made appropriate investigations and enquiries, the Directors have concluded that the Company can continue to operate as a going concern, and that the impact of Brexit to the current business plan is not significantly affecting this conclusion. However the Directors continue to monitor this situation and will respond to market situations accordingly.

**Statement of Directors' responsibilities in respect of the financial statements**
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('EU IFRS'). 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable EU IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 confirm they have complied with all of the above requirements in preparing the financial statements.

**Statement of Directors' responsibilities in respect of the financial statements - continued**
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.

The Directors 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 are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Directors' confirmations**
In the case of each director in office at the date the Directors' Report is approved:
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent auditors**
The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they will be reappointed will be proposed at the next meeting of the Board of Directors.

The financial statements on pages 14 to 47 were approved by the Board of Directors and authorised for issue on 26 July 2019. They were signed on its behalf by:

N Haslehurst
Director
26 July 2019

# Independent auditors' report to the members of TTT Moneycorp Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, TTT Moneycorp Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements for the year ended 31 December 2018 (the "Annual Report"), which comprise: the balance sheet; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# Independent auditors' report to the members of TTT Moneycorp Limited

*Strategic Report and Directors' Report*
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*
As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

*Use of this report*
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting**

**Companies Act 2006 exception reporting**
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Sheena Coutinho (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 July 2019

# TTT Moneycorp Limited
## Statement of comprehensive income
For the year ended 31 December 2018

| | Note | 2018<br>£000 | 2017<br>£000 |
|---|---|---|---|
| **Continuing operations:** | | | |
| Revenue | 6 | 50,352 | 48,848 |
| Administrative expenses | 7 | (53,993) | (48,922) |
| **Operating loss** | | (3,641) | (74) |
| Gain on sale of operations | | - | 13,147 |
| Finance income | | 36 | - |
| Finance costs | 8 | (38) | (400) |
| **Net finance costs** | | (2) | (400) |
| **(Loss)/profit before tax** | | (3,643) | 12,673 |
| Tax charge | 9 | (467) | (851) |
| **(Loss)/profit and total comprehensive (loss)/income for the year attributable to the owners of the Company** | | **(4,110)** | **11,822** |

The above statement should be read in conjunction with the accompanying notes on pages 18 to 47.

# TTT Moneycorp Limited
## Balance sheet
As at 31 December 2018

| | Note | 2018 | 2017 (Restated) | 1 January 2017 (Restated) |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| **Non-current assets** | | | | |
| Goodwill and other intangible assets | 10 | 19,550 | 4,997 | 5,157 |
| Property, plant and equipment | 11 | 3,321 | 3,782 | 6,782 |
| Investment in subsidiaries | 12 | 4,183 | 239 | 4,693 |
| Deferred tax asset | 18 | - | 534 | 602 |
| | | **27,054** | **9,552** | **17,234** |
| **Current assets** | | | | |
| Inventories | | - | - | 330 |
| Cash and cash equivalents | 15 | 371,817 | 281,368 | 275,378 |
| Trade and other receivables | 16 | 83,920 | 81,596 | 24,754 |
| Prepayments | | 1,219 | 1,916 | 3,016 |
| Derivative financial instruments | 17 | 49,614 | 60,542 | 95,706 |
| Current tax assets | | 2,042 | 248 | - |
| | | **508,612** | **425,670** | **399,184** |
| **Total assets** | | **535,666** | **435,222** | **416,418** |
| **Non-current liabilities** | | | | |
| Borrowings | 20 | (1,124) | (1,087) | (1,055) |
| Obligations under finance leases | | - | - | (90) |
| Deferred tax liability | 18 | (341) | - | - |
| | | **(1,465)** | **(1,087)** | **(1,145)** |
| **Current liabilities** | | | | |
| Trade and other payables | 19 | (424,751) | (307,826) | (262,211) |
| Current tax liabilities | | - | - | (258) |
| Borrowings | | - | - | (10,143) |
| Obligations under finance leases | | - | - | (163) |
| Derivative financial instruments | 17 | (42,138) | (55,394) | (83,405) |
| | | **(466,889)** | **(363,220)** | **(356,180)** |
| **Total liabilities** | | **(468,354)** | **(364,307)** | **(357,325)** |
| **Net assets** | | **67,312** | **70,915** | **59,093** |
| **Equity** | | | | |
| Share capital | 22 | 350 | 350 | 350 |
| Other reserves | | 808 | 301 | 301 |
| Retained earnings | | 66,154 | 70,264 | 58,442 |
| **Total equity** | | **67,312** | **70,915** | **59,093** |

The above balance sheet should be read in conjunction with the accompanying notes on pages 18 to 47.

The financial statements of TTT Moneycorp Limited (registered number 00738837) on pages 14 to 47 were approved by the Board of Directors and authorised for issue on 26 July 2019. The Directors do not have the power to amend the financial statements after issue. They were signed on its behalf by:

Director

N Haslehurst

26 July 2019

# TTT Moneycorp Limited
## Statement of changes in equity
For the year ended 31 December 2018

| | Share Capital £000 | Other reserves £000 | Retained earnings £000 | Total Equity £000 |
|---|---|---|---|---|
| **Balance at 1 January 2017** | 350 | 301 | 58,442 | 59,093 |
| Profit for the year | - | - | 11,822 | 11,822 |
| Total comprehensive income | - | - | 11,822 | 11,822 |
| **Balance at 31 December 2017** | **350** | **301** | **70,264** | **70,915** |
| **Balance at 1 January 2018** | 350 | 301 | 70,264 | 70,915 |
| Profit from First Rate FX Limited (see note 13) | - | 507 | - | 507 |
| Loss for the year | - | - | (4,110) | (4,110) |
| Total comprehensive loss | - | - | (4,110) | (4,110) |
| **Balance at 31 December 2018** | **350** | **808** | **66,154** | **67,312** |

The above statement should be read in conjunction with the accompanying notes on pages 18 to 47.

# TTT Moneycorp Limited
## Statement of cash flows
For the year ended 31 December 2018

| | Note | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash inflow generated from operations | 23 | 113,692 | 19,875 |
| Interest received | | 36 | - |
| Interest paid | | (1) | (399) |
| Income tax paid | | (2,001) | (1,307) |
| **Net cash inflow from operating activities** | | 111,726 | 18,169 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | (471) | (1,896) |
| Purchases of intangible assets | | (5,333) | (2,361) |
| Disposals | | - | 2,221 |
| Investment in subsidiaries | 13 | (15,473) | - |
| **Net cash outflow from investing activities** | | (21,277) | (2,036) |
| **Cash flows from financing activities** | | | |
| Repayments of borrowings | | - | (10,143) |
| Receipt on behalf of related party borrowings | | 32,143 | - |
| Payment on behalf of related party for investment acquisition | | (32,143) | - |
| **Net cash outflow from financing activities** | | - | (10,143) |
| **Net increase in cash and cash equivalents** | | **90,449** | **5,990** |
| **Cash and cash equivalents at the beginning of the year** | | **281,368** | **275,378** |
| **Cash and cash equivalents at the end of the year** | 15 | **371,817** | **281,368** |

The above statement should be read in conjunction with the accompanying notes on pages 18 to 47.

# TTT Moneycorp Limited
# Notes to the financial statements
For the year ended 31 December 2018

## 1. GENERAL INFORMATION

TTT Moneycorp Limited (the 'Company') is a private company limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given in the company information on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 3 to 8.

***Functional and presentation currency***
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in pounds sterling (GBP), which is the Company's functional and presentation currency. Foreign operations are consolidated in accordance with the policies set out in note 4.

## 2. NEW AND REVISED STANDARDS ADOPTED IN THE CURRENT PERIOD

The Company has adopted the following standards and amendments for the first time for their annual reporting year commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

***IFRS 9 Financial Instruments***
IFRS 9 *Financial Instruments* replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and classification of amounts recognised in the financial statements. The new accounting policies are set out within note 4.

*Classification and measurement*
On 1 January 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial instruments held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

| | IAS 39 classification | IAS 39 measurement | IFRS 9 classification and measurement |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and cash equivalents | Loans and receivables | Amortised cost | Amortised cost |
| Trade and other receivables | Loans and receivables | Amortised cost | Amortised cost |
| Derivative financial instruments | Held for trading | Fair value through profit or loss | Fair value through profit or loss |
| **Financial Liabilities** | | | |
| Trade and other payables | Other financial liabilities | Amortised cost | Other financial liabilities at amortised cost |
| Derivative financial instruments | Held for trading | Fair value through profit or loss | Fair value through profit or loss |
| Borrowings | Other financial liabilities | Amortised cost | Other financial liabilities at amortised cost |

There were no impacts between original carrying amounts and new carrying amounts under IFRS 9.

### 2. NEW AND REVISED STANDARDS ADOPTED IN THE CURRENT PERIOD – CONTINUED

***IFRS 9 Financial Instruments - continued***

*Impairment of financial assets:*

The Company has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Cash and cash equivalents
- Trade and other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. The Company has assessed the impact of the above assets held at amortised cost. Based on the associated high credit quality of the Company's counterparties and short term nature of receivable balances, the identified expected loss is immaterial.

***IFRS 15 Revenue from contracts with customers***

IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*, was adopted by the Company effective from 1 January 2018. In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules retrospectively with the cumulative effect of initially applying the standard as an adjustment to opening retained earnings. There was no impact of adoption on prior year results.

IFRS 15 applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model which requires identification of distinct performance obligations within contracts and allocation of the transaction price to those performance obligations. Revenue is recognised as each performance obligation is satisfied. Variable amounts of revenue can only be recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.

The Company has completed the transition for all revenue streams that are not specifically excluded from the scope of IFRS 15. A significant portion of the Company's revenue is outside the scope of IFRS 15 due to the exclusion of revenue covered by other accounting standards including IFRS 9.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Company recognises revenue or whether revenue should be recognised gross as a principal or net as an agent. The Company will continue to recognise revenue as services are provided (for example when a foreign exchange contract is entered into). Revenue recognition for income arising from margins on traded currencies, foreign currency forwards and options are recognised based on the requirements of IFRS 9. Refer to the 'Revenue' section of note 4 for further details on each of the main types of revenue.

### 3. NEW AND REVISED STANDARDS NOT YET ADOPTED

The following new accounting Standards and Interpretations were in issue but not yet effective (and in some cases had not yet been adopted by the EU) for the 31 December 2018 reporting year, and have not been early adopted by the Company:

| **Standard** | **New standard / amendment:** | **Effective for annual reporting periods beginning on or after:** |
|---|---|---|
| IFRS 16 – Leases | New | 1 January 2019 |
| IFRS 17 – Insurance Contracts | New | 1 January 2021 |
| IFRS 3 - Business Combinations | Amendment | Not yet endorsed for use in the EU |
| IFRS 11 Joint Arrangements | Amendment | Not yet endorsed for use in the EU |
| IAS 12 - Income Taxes | Amendment | Not yet endorsed for use in the EU |
| IAS 23 - Borrowing Costs | Amendment | Not yet endorsed for use in the EU |
| IAS 28 - Investments in Associates and Joint Ventures | Amendment | Not yet endorsed for use in the EU |
| IAS - 19 Employee Benefits | Amendment | Not yet endorsed for use in the EU |

## 3. NEW AND REVISED STANDARDS NOT YET ADOPTED - CONTINUED

The Directors do not expect that the adoption of the new and revised standards will have a material impact on the financial statements of the Company in future periods with the possible exception of IFRS 16 - *Leases*. The Company's assessment of the impact of IFRS 16 has been set out below.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods or on foreseeable future transactions.

***IFRS 16 – Leases***
IFRS 16 - *Leases* was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

*Implementation and transition:*
The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Company has reviewed all of the Company's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of £16,305 k, see note 26a – Operating lease arrangements.

The adoption of IFRS 16 will impact the following line items in the balance sheet and statement of comprehensive income:

- Recognition of a right-of-use asset
- Recognition of a lease liability
- Decrease in rental costs
- Increase in depreciation and amortisation
- Increase in interest expense

The amount of the asset and liability that the Company will recognise upon adoption of IFRS 16 will be determined by the operating lease commitments that exceed 12 months duration at the time of adoption and meet the definitions outlined in IFRS 16.

Management's estimate of the financial impact of initial adoption on the Company's financial statements is the recognition of both a right-of-use asset and lease liability of £13,824k. The adoption has no impact on the cash flows of the Company and the change is for financial reporting purposes only.

The Company's activities as a lessor are not material and hence the Company does not expect any significant impact on the financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**
The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies reporting under International Financial Reporting Standards ("IFRSs") as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee ("IFRS IC").

The financial statements have been prepared on the historical cost basis, except for the revaluation of some financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Basis of preparation - continued**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs on the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The Company's financial statements have been prepared on a going concern basis. Further detail is contained in the Directors' Report on pages 9 to 11.

These financial statements have been rounded to the nearest thousand pounds sterling, except when otherwise indicated.

**Correction of prior period error**

***a) Asset classification***

An error was identified in the current financial year in regards to the classification of certain assets between intangible assets and property, plant and equipment. The error was made upon purchase of the assets in a prior financial period and has been carried forward in the balance of the assets since. The cumulative value of intangible assets and property, plant and equipment were correct.

The error has been corrected by restating each of the affected financial statement lines for the prior periods as follows:

| Balance sheet (extract) | 1 January 2017 (Opening) £000 | Increase / (decrease) £000 | 1 January 2017 (Restated) £000 |
|---|---|---|---|
| Goodwill and intangible assets | | | |
| *Comprising* | | | |
| Internally developed software - Cost | 6,089 | (68) | 6,021 |
| Internally developed software - Accumulated amortisation | (1,961) | 220 | (1,741) |
| Goodwill - carrying amount | 877 | - | 877 |
| | 5,005 | 152 | 5,157 |
| Property, plant and equipment | | | |
| *Comprising* | | | |
| Computer equipment – Cost | 9,361 | 68 | 9,429 |
| Computer equipment - Accumulated depreciation | (7,097) | (220) | (7,317) |
| Other property, plant and equipment - carrying amount | 4,670 | - | 4,670 |
| | 6,934 | (152) | 6,782 |
| **Total** | 11,939 | - | 11,939 |

**4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

| Balance sheet (extract) | 31 December 2017 | Increase / (decrease) | 31 December 2017 (Restated) |
|---|---|---|---|
| | £000 | £000 | £000 |
| Goodwill and intangible assets | | | |
| *Comprising* | | | |
| Internally developed software - Cost | 8,192 | 987 | 9,179 |
| Internally developed software - Accumulated amortisation | (4,014) | (168) | (4,182) |
| Goodwill - carrying amount | - | - | - |
| | 4,178 | 819 | 4,997 |
| Property, plant and equipment | | | |
| *Comprising* | | | |
| Computer equipment – Cost | 9,366 | (987) | 8,379 |
| Computer equipment - Accumulated depreciation | (6,676) | 168 | (6,508) |
| Other property, plant and equipment - carrying amount | 1,911 | - | 1,911 |
| | 4,601 | (819) | 3,782 |
| **Total** | 8,779 | - | 8,779 |

***b) Investment in subsidiary***
An error was also identified in regards to the classification of share capital paid to Moneycorp Brasil Participacoes Ltda, a subsidiary company, in order to provide funding for their investment of Novo Mundo Holding Financeira S/A. The error was made upon purchase of the shares in a prior financial period and has been carried forward in the balance sheet since. The error affected the opening balance of 1 January 2017.

The error has been corrected by restating each of the affected financial statement lines for the prior periods as follows:

- Trade and other receivables – decrease by £207k
- Investment in subsidiaries – increase by £207k

*There is no impact on the statement of comprehensive income in regards to the error.*

**Comparative numbers**
The Company has changed the presentation of the following items during the current year as the classification has been deemed more relevant and appropriate to the Company. For comparability the prior year presentation has also been updated.

- Prepayments are shown separately on the balance sheet rather than within trade and other receivables, separating financial and non-financial assets.
- Interest earned/paid on client held funds have been presented within revenue and administration expenses respectively rather grouped with corporate interest within finance income/costs.

There have been no changes to the overall balances presented within the primary statements. Certain other prior year comparatives within the notes to the financial statements have been updated to reflect current year presentation.

**Business combinations**
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-

### 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Business combinations – continued**

controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration, that do not qualify as measurement period adjustments, depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in the statement of comprehensive income.

**Foreign currencies**

Trading transactions denominated in currencies other than the Company's functional currency (foreign currencies) are translated at the exchange rates prevailing on the dates of the transactions.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at year end exchange rates, including those held by overseas branches. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities at year end exchange rates, are recognised in the statement of comprehensive income.

**Intangible assets**

***Goodwill***

Goodwill is initially recognised and measured as set out in 'business combinations' above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

***Other intangible assets***

Subsequent to initial recognition the Company adopts the cost model as its accounting policy which requires intangible assets to be carried at cost less accumulated amortisation and impairment losses.

***Internally developed software***

Capitalised computer software costs are amortised on a straight line basis over their estimated useful lives as follows:

Internally developed software 4 to 10 years

Other intangible assets are tested for impairment when there are any indicators that the carrying amount of the assets can't be recovered. Any reduction in value is recorded in the statement of comprehensive income.

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Property, plant and equipment**
Property, plant and equipment are carried at cost less accumulated depreciation and any recognised impairment loss.

Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is recognised to write down the cost or valuation less the residual value of assets over their useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Fixtures and fittings | 4 to 10 years |
| Computer equipment | 4 to 20 years |

Leasehold properties are depreciated over the period of the leases. Improvements to leasehold properties, including fixtures and fittings and computer equipment, are depreciated over the expected life of those improvements/assets, or period of the lease, whichever is shorter.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

***Impairment of property, plant and equipment***
At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Financial instruments**
Financial instruments are classified as financial assets, financial liabilities or equity instruments, and are initially recognised when the Company becomes party to the contractual provisions of the instrument.

*Classification:*
From 1 January 2018, the Company classifies its financial assets and liabilities in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

*Recognition and derecognition:*
Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. All financial instruments are initially measured at fair value adjusted for transaction costs.

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Financial instruments - continued**
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

The Company classifies its instruments based on the Company's business model for managing the financial assets and liabilities and the contractual terms of the cash flows. The Company's financial assets and liabilities are managed and their performance evaluated on a fair value basis.

**Financial assets at amortised cost**

***Cash and cash equivalents***
Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

***Trade receivables***
Trade receivables are recognised at original invoice or contract value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

The amount of the loss allowance is recognised in the statement of comprehensive income. When the trade receivable is deemed uncollectable, it is written off against the provision for trade receivables.

***Impairment of financial assets at amortised cost***
At the reporting date, the Company measures the loss allowance on financial asset, other than those at fair value through profit or loss, at an amount equal to the lifetime expected credit losses if the risk has increased significantly since initial recognition. If at the reporting date, the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that a loss allowance may be required. Given the high credit quality and short term nature of the financial assets measured at amortised cost, the Company does not anticipate any material expected credit losses to be applicable for these assets.

**Financial liabilities at amortised cost**

***Borrowings***
Borrowings are initially measured at fair value less attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

*Effective interest method*
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

***Trade payables***
Trade payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at original invoice or contract value being the best estimate of fair value and subsequently measured at amortised cost using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Financial liabilities at amortised cost - continued**
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

**Derivative financial instruments**
The Company enters into a variety of derivative financial instruments for trading purposes acting as a broker in the provision of foreign exchange spot, forward and option contracts to businesses and individuals.

In addition a small number of derivative financial instruments are entered to manage exposure to the Company's foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the statement of comprehensive income. Further details regarding the fair value measurement and valuation process of derivative financial instruments are disclosed in note 17.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Derivative financial instruments are held for trading and as such are presented as a current asset or a current liability.

**Share capital**
Ordinary share capital is classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

**Revenue**
A summary of the Company's main revenue streams is provided below:

***International payments***
Revenue primarily consists of the margin earned between the buying and selling price of currencies sold in foreign exchange spot, forward and option deals. As derivative contracts are classed as financial instruments, revenue is recognised based on the requirements of IFRS 9. Margin revenue is recognised on trade date.

A fixed fee is charged to customers who trade lower amounts of currency in their international payment transactions. Payment of the fixed fee is due when the customer makes the transaction. International payments generally have only one performance obligation and revenue is recognised at the point in time when control of the foreign currency purchased is transferred to the customer.

Customers are also able to buy currency and load it on to a card rather than have physical currency. Prepaid card revenue is earned and recognised when the customer buys the currency to load onto a card. Revenue is also earned when the customer uses the card such as for POS transactions, ATM withdrawals, cash outs, money transfers and inactivity charges. Fees may vary depending on the transaction and are either fixed or a percentage of the transaction amount. Prepaid card revenue has one performance obligation and is recognised at the point in time when the transaction is made, generally when the customer spends or withdraws.

**Leases**
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***Operating leases***
Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease.

## 4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Pensions defined contribution scheme**
The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge disclosed in note 21 includes contribution payable by the Company to the fund.

**Provisions**
Provisions are recognised when it is probable a present obligation will lead to an outflow of economic resources from the business. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Where possible outflows from the business are considered improbable, that is considered a contingent liability and no liability is recognised.

**Taxation**
The tax expense represents the sum of the tax currently payable and deferred tax.

***Current taxation***
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

***Deferred taxation***
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also accounted for in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

***Current tax and deferred tax for the year***
Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**Critical judgements in applying the Company's accounting policies**
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

***Taxation***
The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Company's latest budget forecasts, which are adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit, and expectations regarding future financing costs. The tax rules in the numerous jurisdictions in which the Company operate are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances. See note 18 for details of deferred tax balances.

***Deferred taxation***
Deferred taxation assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income.

The Directors have made an assessment of how much is expected to be utilised against future taxable income based on future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

**Key sources of estimation uncertainty**
The key assumptions concerning the future, and other key sources of estimation uncertainty at balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

***Useful lives of property, plant and equipment***
As described above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

***Fair value measurements and valuation processes***
Derivative financial assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available (Level 1). Foreign currency forwards and options are considered to be Level 2 as the fair value measurements are derived from inputs other than quoted prices that are directly or indirectly observable. Information about the valuation techniques and inputs used in determining the fair value are disclosed in note 17.

The fair value of derivative financial assets and liabilities are stated after adjustments to reflect counterparty credit risk.

The Company recognises derivative financial assets when counterparty positions are out of the money (from the perspective of the counterparty). The fair value of derivative financial assets is calculated as the mark to market less any credit valuation adjustments (CVA). This is calculated based on an internal assessment of the counterparty credit risk, with the asset amounts being discounted using a rate that reflects the risk of default.

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY - CONTINUED

Derivative financial liabilities are recognised by the Company when counterparty positions are in the money (from the perspective of the counterparty). The fair value of the derivative financial liabilities is calculated as the mark to market less any debit valuation adjustments (DVA). This adjustment reflects the risk of the Company defaulting on the balance payable to the counterparty and is calculated using an estimate of the Company's borrowing costs.

CVA on derivative financial assets is recorded in the statement of comprehensive income. To prevent an accounting mismatch, the Company has elected to recognise DVA on derivative financial liabilities in profit or loss rather than in other comprehensive income.

### 6. REVENUE

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| **Revenue earned from financial instruments:** | | |
| Margin on traded derivative contracts | 44,520 | 52,484 |
| Net gains / (losses) on financial instruments held at fair value through profit or loss | 2,328 | (7,154) |
| | 46,848 | 45,330 |
| **Revenue from contracts with customers:** | | |
| Commission | 580 | 754 |
| Fees and charges | 653 | 1,096 |
| Prepaid cards | 1,409 | 1,284 |
| | 2,642 | 3,134 |
| **Other:** | | |
| Rental income | 524 | 451 |
| Operating interest income | 498 | 259 |
| Foreign exchange losses | (160) | (326) |
| | 862 | 384 |
| **Total revenue** | 50,352 | 48,848 |

International payments commission of £580k in 2018 was earned from an associate entity of the Moneta Topco Limited group (the 'Group' – see note 29 for further details) (2017: £754k).

### 7. ADMINISTRATIVE EXPENSES

Included within administrative expenses are the following:

| | 2018<br>£000 | 2017<br>(Restated)<br>£000 |
|---|---|---|
| Operating lease rentals | 1,821 | 1,690 |
| Auditors' remuneration (see note 7a.) | 232 | 185 |
| Staff costs (see note 7b.) | 15,511 | 18,201 |
| Amortisation of intangible assets (see note 10) | 4,843 | 2,479 |
| Depreciation of property, plant and equipment (see note 11) | 932 | 1,795 |
| Loss on disposal of intangible assets | 43 | - |
| Write-off of investment in subsidiary (see note 12) | 30 | - |
| Impairment loss recognised on trade receivables | 292 | 158 |
| Operating interest expense | 33 | 14 |

## 7. ADMINISTRATIVE EXPENSES - CONTINUED

### 7a. Auditors' remuneration

The analysis of the auditors' remuneration included within administrative expenses is as follows:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Fees paid to the Company's auditors and their associates** | | |
| Audit of the Company's annual financial statements | 100 | 89 |
| Audit of the Company's prior year financial statements - incurred in 2018 | 85 | - |
| Audit fees incurred on behalf of Group entities - current year financial statements | 17 | 81 |
| Audit fees incurred on behalf of Group entities - prior year financial statements incurred in 2018 | 8 | - |
| **Total audit fees to the Company's auditors** | **210** | **170** |
| | | |
| **Other non-audit fees** | | |
| - Agreed upon procedures - PSD reporting | 8 | 7 |
| - Agreed upon procedures - loan covenants reporting incurred on behalf of a Group entity | - | 8 |
| - Other assurance services - prior year client asset audit incurred in 2018 on behalf of a Group entity | 14 | - |
| **Total non-audit fees to the Company's auditors** | **22** | **15** |
| **Total fees to the Company's auditors** | **232** | **185** |

### 7b. Staff costs

| **The average monthly number of employees (including executive directors) was:** | 2018 Number | 2017 Number |
|---|---|---|
| Management and administration | 11 | 107 |
| Operations | 194 | 182 |
| | 205 | 289 |

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Their aggregate remuneration comprised:** | | |
| Wages and salaries | 13,808 | 15,935 |
| Social security costs | 1,383 | 1,814 |
| Other pension costs (see note 21) | 320 | 452 |
| | 15,511 | 18,201 |

## 8. FINANCE COSTS

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Bank interest | - | 368 |
| Interest on loan from parent entity | 38 | 32 |
| | 38 | 400 |

## 9. TAX CHARGE

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Current tax:** | | |
| Current year charge | 810 | 725 |
| Adjustments in respect of prior years | (603) | 104 |
| | 207 | 829 |
| **Deferred tax (see note 18):** | | |
| Current year charge/(credit) | 227 | (89) |
| Adjustments in respect of prior years | 66 | 128 |
| Effect of change in corporation tax rate on deferred tax balances | (33) | (17) |
| Total tax charge for the year | 467 | 851 |

Corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable (loss)/ profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The total tax charge for the year can be reconciled to the (loss)/profit per the statement of comprehensive income as follows:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| (Loss)/profit before tax on continuing operations | (3,643) | 12,673 |
| Tax at the UK corporation tax rate of 19.00% (2017: 19.25%) | (692) | 2,439 |
| Tax effect of expenses that are not deductible | 1,496 | 538 |
| Non-taxable income | (385) | (1,655) |
| Prior year adjustments | (537) | 233 |
| Tax effect of Group relief given / (received) | 697 | (583) |
| Effect of change in corporation tax rate on deferred tax balances | (33) | (17) |
| Effect of lower tax rates of branches operating in other jurisdictions | (193) | (104) |
| Tax charge following hive up of subsidiary operations | 114 | - |
| Total tax charge for the year | 467 | 851 |

At Budget 2016, the Government announced that the corporation tax rate applicable from 1 April 2020 would be reduced to 17%.

## 10. GOODWILL AND OTHER INTANGIBLE ASSETS

| | Goodwill £000 | Customer relation-ships £000 | Internally developed software £000 | Total £000 |
|---|---|---|---|---|
| **At 1 January 2017 (restated)** | | | | |
| Cost | 877 | - | 6,021 | 6,898 |
| Accumulated amortisation and impairment | - | - | (1,741) | (1,741) |
| Carrying amount | 877 | - | 4,280 | 5,157 |
| **Year ended 31 December 2017 (restated)** | | | | |
| Opening carrying amount | 877 | - | 4,280 | 5,157 |
| Additions | - | - | 3,416 | 3,416 |
| Net disposals | (877) | - | (220) | (1,097) |
| Amortisation charge | - | - | (2,479) | (2,479) |
| Closing carrying amount | - | - | 4,997 | 4,997 |
| **At 31 December 2017 (restated)** | | | | |
| Cost | - | - | 9,179 | 9,179 |
| Accumulated amortisation and impairment | - | - | (4,182) | (4,182) |
| Carrying amount | - | - | 4,997 | 4,997 |
| **Year ended 31 December 2018** | | | | |
| Opening carrying amount | - | - | 4,997 | 4,997 |
| Additions | 10,874 | 3,232 | 5,333 | 19,439 |
| Net disposals | - | - | (43) | (43) |
| Amortisation charge | - | (472) | (4,371) | (4,843) |
| Closing carrying amount | 10,874 | 2,760 | 5,916 | 19,550 |
| **At 31 December 2018** | | | | |
| Cost | 10,874 | 3,232 | 14,467 | 28,573 |
| Accumulated amortisation and impairment | - | (472) | (8,551) | (9,023) |
| Carrying amount | 10,874 | 2,760 | 5,916 | 19,550 |

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| International payments | 10,874 | - |
| | 10,874 | - |

Goodwill was written off during 2017 following the transfer of assets to Moneycorp CFX Limited.

Goodwill was acquired in 2018 as a result of the hive-up of First Rate FX Limited (see note 13).

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts for each cash generating unit (CGU) identified above were determined based on the higher of 'fair value less costs to sell' and 'value in use' estimations.

The value in use estimations cover a three year forecast with an extrapolation for periods beyond the budgeted projection based on the Company's current long term financial projections approved by management for the next three years. The growth rates applied reflect current market assessments with a long term terminal growth rate of 2%. The discount rates applied reflect of the time value of money and the risks specific to the CGUs.

### 10. GOODWILL AND OTHER INTANGIBLE ASSETS - CONTINUED

Key assumptions are based on the EBITDA of each CGU which have been determined based on a combination of past experience of the markets in which the Company operates and the expected growth in the forecast period.

The fair value less cost to sell calculation has been based on the forecast EBITDA for 2019 with a multiple applied to each CGU which reflects the market in which the CGU operates and the product offerings. Costs to sell are calculated at 2% of the fair value of each CGU.

Other than the points referred to above there are no other key assumptions used in the calculation of goodwill impairment.

### 11. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold Properties £000 | Fixtures and fittings £000 | Computer equipment £000 | Finance leases £000 | Total £000 |
|---|---|---|---|---|---|
| **At 1 January 2017 (restated)** | | | | | |
| Cost | 1,185 | 9,663 | 9,429 | 1,011 | 21,288 |
| Accumulated depreciation & impairment | (1,020) | (5,478) | (7,317) | (691) | (14,506) |
| Carrying amount | 165 | 4,185 | 2,112 | 320 | 6,782 |
| **Year ended 31 December 2017 (restated)** | | | | | |
| Opening carrying amount | 165 | 4,185 | 2,112 | 320 | 6,782 |
| Additions | - | 63 | 778 | - | 841 |
| Net disposals | - | (1,760) | (103) | (183) | (2,046) |
| Depreciation charge | (5) | (737) | (916) | (137) | (1,795) |
| Closing carrying amount | 160 | 1,751 | 1,871 | - | 3,782 |
| **At 31 December 2017 (restated)** | | | | | |
| Cost | 1,185 | 4,924 | 8,379 | 16 | 14,504 |
| Accumulated depreciation & impairment | (1,025) | (3,173) | (6,508) | (16) | (10,722) |
| Carrying amount | 160 | 1,751 | 1,871 | - | 3,782 |
| **Year ended 31 December 2018** | | | | | |
| Opening carrying amount | 160 | 1,751 | 1,871 | - | 3,782 |
| Additions | - | 247 | 224 | - | 471 |
| Net disposals | - | - | - | - | - |
| Depreciation charge | (5) | (339) | (588) | - | (932) |
| Closing carrying amount | 155 | 1,659 | 1,507 | - | 3,321 |
| **At 31 December 2018** | | | | | |
| Cost | 1,185 | 5,171 | 8,603 | 16 | 14,975 |
| Accumulated depreciation & impairment | (1,030) | (3,512) | (7,096) | (16) | (11,654) |
| Carrying amount | 155 | 1,659 | 1,507 | - | 3,321 |

Disposals in 2017 were part of the sale of the trade and assets relating to the cash services business to Moneycorp CFX Limited.

## 12. INVESTMENT IN SUBSIDIARIES

The Company is a parent company of a number of subsidiaries which operate and are incorporated in various locations globally.

Information about the direct subsidiaries of the Company at the balance sheet date are set out below. The country of incorporation or registration is also their principal place of business.

| Name of entity | Place of incorporation (or registration) | Principal activity | Proportion of ownership interest and voting power held 2018 | 2017 |
|---|---|---|---|---|
| Moneycorp SLU | Spain | Introducing broker | 100% | 100% |
| TTT Moneycorp Pty Limited | Australia | Foreign exchange provider | 100% | 100% |
| Moneycorp Brasil Participacoes Ltda | Brazil | Investment holding | 99% | 99% |
| Moneycorp SAS | France | Dormant | - | 100% |
| First Rate FX Limited * | UK | Dormant | 100% | - |

**Acquired during the 2018 financial year*

The investments in subsidiaries are all stated at cost.

| | 2018 £000 | 2017 (Restated) £000 |
|---|---|---|
| **Carrying amount at 1 January** | 239 | 4,693 |
| Acquisitions | 16,959 | - |
| Write-off of investment in subsidiary | (30) | - |
| Hive-up of subsidiary | (12,985) | - |
| Transfer to related party | - | (4,454) |
| **Carrying amount at 31 December** | 4,183 | 239 |
| **Comprising:** | | |
| Moneycorp SLU | 2 | 2 |
| TTT Moneycorp Pty Limited | - | - |
| Moneycorp Brasil Participacoes Ltda | 2,589 | 207 |
| Moneycorp SAS | - | 30 |
| First Rate FX Limited | 1,592 | - |
| | 4,183 | 239 |

The restatement relates to the £207k investment in Moneycorp Brasil Participacoes Ltda and details of the error are explained in note 4.

The Company is also the intermediate parent entity of the following associate entity at the balance sheet date:

| Name of entity | Place of incorporation (or registration) | Principal activity | Proportion of ownership interest and voting power held 2018 | 2017 |
|---|---|---|---|---|
| Novo Mundo Holding Financeira S/A* | Brazil | Investment holding | 42.5% | - |

**Acquired during the 2018 financial year*

## 13. ACQUISITIONS AND INCORPORATION OF SUBSIDIARIES

### 13a. Acquisition of First Rate FX Limited

On 31 January 2018 the Company acquired 100% of the issued share capital of First Rate FX Limited ("First Rate"); a London based international payments business. The acquisition aligns with the wider Group strategy of international expansion and product development.

## 13. ACQUISITIONS AND INCORPORATION OF SUBSIDIARIES – CONTINUED

Details of the purchase consideration are as follows:

| | £000 |
|---|---|
| **Purchase consideration** | |
| Cash consideration | 13,091 |
| Contingent consideration | 1,486 |
| | 14,577 |

### 13a. Acquisition of First Rate FX Limited - continued

***Contingent consideration - earn-out***

In the event that certain pre-determined revenues were achieved by the subsidiary between the period 1 April 2017 to 31 March 2018, additional consideration of two times the excess above the pre-determined amount should be payable in cash. The final outcome of the earn-out payable in regards to the acquisition is still under negotiations as at the date of signing.

**Acquisition-related costs**

Acquisition-related costs of £1,231k incurred in the current and prior years, that were not directly attributable to the issue of shares, are included in administrative expenses in the statement of comprehensive income and in operating cash flows in the cash flow statement.

**Hive-up**

The customers of First Rate were migrated to Moneycorp's platform and the TTT Moneycorp Limited legal entity in Q2 2018. Along with the migration, the assets of First Rate, including those identified as part of the purchase price allocation such as goodwill, were also hived-up to TTT with a corresponding decrease in the value of investment held. The profit generated by First Rate between acquisition date and hive-up has been recognised in the statement of changes in equity in other reserves. First Rate is a dormant entity at the balance sheet date.

### 13b. Moneycorp Brasil Participacoes Ltda

Additional share capital of Brazilian real $10,498k (£2,382k) was issued by Moneycorp Brasil Participacoes Ltda to the Company during the year.

This was primarily used to fund the acquisition of Novo Mundo Holding Financeira S/A ('Novo Mundo'), a holding company which owns 100% of the shares in Novo Mundo Corretora de Cambio S/A, a Brazilian FX business.

## 14. FINANCIAL ASSETS AND LIABILITIES

**Categories of financial instruments**

| | 2018 £000 | 2017 (Restated) £000 |
|---|---|---|
| **Financial assets** | | |
| *Financial assets at amortised cost* | | |
| Cash and cash equivalents | 371,817 | 281,368 |
| Trade and other receivables | 83,920 | 81,596 |
| *Financial assets at fair value through profit or loss* | | |
| Derivative financial instruments held for trading | 49,614 | 60,542 |
| | 505,351 | 423,506 |
| **Financial liabilities** | | |
| *Financial liabilities at amortised cost* | | |
| Trade and other payables | (424,751) | (307,826) |
| Borrowings | (1,124) | (1,087) |
| *Financial liabilities at fair value through profit or loss* | | |
| Derivative financial instruments held for trading | (42,138) | (55,394) |
| | (468,013) | (364,307) |

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their fair values.

The restatement relates to the £207k investment in Moneycorp Brasil Participacoes Ltda and details of the error are explained in note 4.

## 15. CASH AND CASH EQUIVALENTS

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Company cash and bank balances | 1,763 | 1,817 |
| Customer held funds | 370,054 | 279,551 |
| | 371,817 | 281,368 |

The corresponding liability for customer held funds is included within trade and other payables (note 19).

TTT Moneycorp Limited is regulated by the Financial Conduct Authority under the Payment Services Directive and is required to keep these funds in a client safeguarding account. The carrying amount of these assets is approximately equal to their fair value.

Cash and cash equivalents at the end of the reporting year as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as shown above.

## 16. TRADE AND OTHER RECEIVABLES

| | 2018 £000 | 2017 (Restated) £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade receivables | 737 | 3,125 |
| Allowance for doubtful debts | (251) | (653) |
| | 486 | 2,472 |
| Related party receivables from parent companies | 77,506 | 72,418 |
| Related party receivables from group companies | 4,487 | 5,261 |
| Other debtors | 1,441 | 1,445 |
| | 83,920 | 81,596 |

Included in the other debtors balance is £933k of funds in dispute. See note 27 for further details.

The restatement relates to the £207k investment in Moneycorp Brasil Participacoes Ltda and details of the error are explained in note 4.

## 17. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial assets is calculated as the mark to market (MTM) less any credit valuation adjustments (CVA). The fair value of the derivative financial liabilities is calculated as the MTM less any debit valuation adjustments (DVA).

The MTM of the foreign currency forwards and options are provided by an external valuation company.

Where a counterparty trade is out of the money (from the perspective of the counterparty) and the Company has recognised a derivative asset, a CVA is calculated to reflect the credit risk associated with that counterparty. For certain clients the Company requires collateral to be posted when their positions are out of the money above a certain tolerance level. Where the Company is holding collateral from a client those funds are deducted from the out of the money exposures before the CVA is calculated.

Where a counterparty trade is in the money (from the perspective of the counterparty) and the Company has recognised a derivative liability, a DVA is applied to the balance payable by the Company to reflect the credit risk associated with the Company. This adjustment is calculated using an estimate of the Company's borrowing costs.

### 17. DERIVATIVE FINANCIAL INSTRUMENTS - CONTINUED

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Un- adjusted forwards MTM (excluding CVA and DVA)** | | |
| **Financial assets** | | |
| Foreign currency forward contracts | 41,054 | 51,088 |
| Foreign currency options | 9,251 | 10,151 |
| **Total financial assets** | 50,305 | 61,239 |
| **Financial liabilities** | | |
| Foreign currency forward contracts | (34,697) | (47,968) |
| Foreign currency options | (9,251) | (10,051) |
| **Total financial liabilities** | (43,948) | (58,019) |

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Adjusted fair value (as presented in the balance sheet)** | | |
| **Financial assets** | | |
| Foreign currency forward contracts | 40,363 | 50,391 |
| Foreign currency options | 9,251 | 10,151 |
| **Total financial assets** | 49,614 | 60,542 |
| **Financial liabilities** | | |
| Foreign currency forward contracts | (33,059) | (45,704) |
| Foreign currency options | (9,079) | (9,690) |
| **Total financial liabilities** | (42,138) | (55,394) |

***Fair value hierarchy***

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Foreign currency forward contracts values are determined by observable forward exchange rates and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Foreign currency options are valued using a range of market standard valuation models. The model and methodology used is dependent on the type of option product. The key inputs are:

- underlying value of the currency
- strike price
- time to expiration
- volatility of underlying asset
- risk free rate

The valuations are discounted at a rate that reflects the credit risk of the counterparty.

# TTT Moneycorp Limited
## Notes to the financial statements
For the year ended 31 December 2018

### 17. DERIVATIVE FINANCIAL INSTRUMENTS – CONTINUED

***Fair value hierarchy - continued***

| | 2018 | | | |
|---|---|---|---|---|
| | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
| **Financial assets** | | | | |
| Foreign currency forward contracts | - | 40,363 | - | 40,363 |
| Foreign currency options | - | 9,251 | - | 9,251 |
| **Total** | - | 49,614 | - | 49,614 |
| **Financial liabilities** | | | | |
| Foreign currency forward contracts | - | (33,059) | - | (33,059) |
| Foreign currency options | - | (9,079) | - | (9,079) |
| **Total** | - | (42,138) | - | (42,138) |

| | 2017 | | | |
|---|---|---|---|---|
| | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
| **Financial assets** | | | | |
| Foreign currency forward contracts | - | 50,391 | - | 50,391 |
| Foreign currency options | - | 10,151 | - | 10,151 |
| **Total** | - | 60,542 | - | 60,542 |
| **Financial liabilities** | | | | |
| Foreign currency forward contracts | - | (45,704) | - | (45,704) |
| Foreign currency options | - | (9,690) | - | (9,690) |
| **Total** | - | (55,394) | - | (55,394) |

There were no transfers between levels in the current or prior years.

### 18. DEFERRED TAX

The following are the deferred tax assets/(liabilities) recognised by the Company and movements thereon during the current and prior reporting year.

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Balance at the beginning of the year** | 534 | 602 |
| Deferred tax liability recognised | (615) | - |
| (Charge)/ credit to the statement of comprehensive income | (227) | 89 |
| Prior year adjustment | (66) | (174) |
| Effect of change in tax rate charge | 33 | 17 |
| **Balance at the end of the year** | (341) | 534 |

The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Deferred tax liabilities:** | | |
| Customer relationships timing differences | (525) | - |
| Revaluation of financial assets | (186) | (218) |
| | (711) | (218) |
| **Deferred tax assets:** | | |
| Accelerated tax depreciation | 357 | 736 |
| Revaluation of financial assets | 13 | 16 |
| | 370 | 752 |
| **Net deferred tax (liability)/asset** | (341) | 534 |

### 19. TRADE AND OTHER PAYABLES

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Outstanding customer balances | 350,796 | 275,056 |
| Trade payables | 3,621 | 3,752 |
| Accruals | 8,019 | 8,568 |
| Related party amounts owed to other group companies | 62,315 | 14,516 |
| Related party amounts owed to parent companies | - | 5,934 |
| | 424,751 | 307,826 |

Trade and other payables principally comprise amounts outstanding for customer balances, trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

### 20. BORROWINGS

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Non-current** | | |
| Related party loan | 1,124 | 1,087 |
| | 1,124 | 1,087 |

The Company has a loan owning to Regent Acquisitions (Holdings) Limited, a related company, at year end. The loan was issued in November 2013 for a sum of £4,750k. The loan is unsecured and has no fixed maturity date. An interest rate of 12% is charged on the loan.

### 21. DEFINED CONTRIBUTION PENSION PLAN

The Company has a defined contribution pension scheme that covers employees whose length of service is at least three months. Allocations to individual employees are based on the salary level of the employee and employer contribution. At 31 December 2018 the Company had a liability of approximately £56k (31 December 2017 £76k), included in trade and other payables in the accompanying balance sheet, related to the pension scheme. During the year the Company made pension contributions to the scheme on behalf of key management personnel of £9k (2017: £9k).

### 22. SHARE CAPITAL

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Authorised:** | | |
| 350,000 (2017: 350,000) ordinary shares of £1 each | 350 | 350 |
| **Issued and fully paid:** | | |
| 350,000 (2017: 350,000) ordinary shares of £1 each | 350 | 350 |

The Company has one class of ordinary shares which carry no right to fixed income.

### 23. NOTES TO THE CASH FLOW STATEMENT

#### 23a. Net cash generated from operations

| | 2018 £000 | 2017 (Restated) £000 |
|---|---|---|
| **Operating loss** | (3,641) | (74) |
| **Adjustment for non-cash items:** | | |
| Depreciation of property, plant and equipment | 932 | 1,795 |
| Amortisation of intangible assets | 4,843 | 2,479 |
| Loss on disposal of intangible assets | 43 | - |
| Write-off of investment in subsidiary | 30 | - |
| Goodwill write down | - | 877 |
| | 2,207 | 5,077 |
| **Movements in working capital:** | | |
| Decrease in inventories | - | 329 |
| Decrease / (increase) in receivables | 9,301 | (132,869) |
| Increase in payables | 102,184 | 147,338 |
| **Net cash generated from operations** | 113,692 | 19,875 |

#### 23b. Net cash reconciliation

| | | Liabilities from financing activities | | | | |
|---|---|---|---|---|---|---|
| | Cash (excluding client cash) £000 | Finance leases due within 1 year £000 | Finance leases due after 1 year £000 | Borrowing due within 1 year £000 | Borrowing due after 1 year £000 | Total £000 |
| **Opening balance at 1 January 2017** | 41,077 | (163) | (90) | (10,143) | (1,055) | 29,626 |
| Cash flows | (39,260) | - | - | 10,143 | - | (29,117) |
| Other changes * | - | 163 | 90 | - | (32) | 221 |
| **Net cash as at 31 December 2017** | 1,817 | - | - | - | (1,087) | 730 |
| **Opening balance at 1 January 2018** | 1,817 | - | - | - | (1,087) | 730 |
| Cash flows | (54) | - | - | - | - | (54) |
| Other changes * | - | - | - | - | (37) | (37) |
| **Net cash as at 31 December 2018** | 1,763 | - | - | - | (1,124) | 639 |

* Other changes include non-cash movements and interest accrued on borrowing balances and interest payments which are presented as operating cash flows in the statement of cash flows.

#### 23c. Changes in ownership interests in subsidiary

On 1 January 2017, the Company sold the trade and assets relating to the cash services business with a book value of £34.3m to Moneycorp CFX Limited, a related company, for a consideration of £47.5m. No cash was paid or received as part of the sale and the consideration amount was recorded as part of an intercompany balance.

The cash and cash equivalents of which the Company lost control over as a result of the sale amounted to £22.5m. The remaining net assets amounted to £11.8m.

### 24. FINANCIAL RISK MANAGEMENT

**Financial risk management objectives**
The main risks arising from the Company's financial instruments are market risk (including foreign currency and interest rate), credit risk and liquidity risk. The Board approves prudent treasury policies for managing each of the risks which are summarised below.

**Market risk**
The Company's principal business activities involve brokering regulated foreign currency products to customers and entering back to back arrangements with the customer and vendor. The back to back nature of the transactions eliminates exchange rate risk of the Company's operations and means the financial exposure of the Company is limited to client credit risk. The Company has considered other risks including market risk (currency risk, fair value, interest rate risk and price risk), liquidity risk and cash flow interest rate risk. Any changing risk profile in one contract will be mitigated by an offset in the corresponding back to back contract arrangement.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The sensitivity to market risk in relation to derivatives is therefore immaterial.

**Foreign currency risk management**
The Company undertakes derivative transactions denominated in foreign currencies, however is not consequently exposed to exchange rate fluctuations. All exchange rate fluctuations between the Company and customers are managed through corresponding movements in the contracts entered into with the vendor.

The Company does maintain bank balances in a number of currencies, and is therefore exposed to movements in foreign exchange rates on these balances. Bank balances held in foreign currencies at year end were as follows:

| Currency | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| United States dollar (USD) | 151,422 | 94,310 |
| Euro (EUR) | 105,713 | 81,135 |
| Australian dollar (AUD) | 6,130 | 4,235 |
| Canadian dollar (CAD) | 3,745 | 2,060 |
| Swiss franc (CHF) | 3,085 | 2,247 |
| Hong Kong dollar (HKD) | 2,269 | 2,850 |
| Norwegian krone (NOK) | 1,545 | 923 |
| Danish krone (DKK) | 1,084 | 2,979 |
| United Arab Emirates dirham (AED) | 1,083 | 3,736 |
| Swedish krona (SEK) | 1,032 | 1,757 |
| South African rand (ZAR) | 976 | 628 |
| New Zealand dollar (NZD) | 944 | 758 |
| Japanese yen (JPY) | 893 | 221 |
| Thai baht (THB) | 791 | 99 |
| Romanian leu (RON) | 745 | 940 |
| Singapore dollar (SGD) | 467 | 227 |
| Israeli new shekel (ILS) | 425 | 160 |
| Czech koruna (CZK) | 390 | 105 |
| Polish zloty (PLN) | 370 | 12 |
| Mexican peso (MXN) | 356 | 310 |
| Philippine peso (PHP) | 292 | (35) |
| Qatari riyal (QAR) | 249 | 35 |
| Omani rial (OMR) | 222 | 157 |
| Saudi riyal (SAR) | 217 | 1,419 |
| Russian ruble (RUB) | 183 | 10 |
| Chinese yuan (CNH) | 105 | 99 |
| Turkish lira (TRY) | 86 | 190 |
| Bahraini dinar (BHD) | 38 | 178 |
| Barbadian dollar (BBD) | 20 | 590 |
| Other foreign currencies (individual balances less than £100k) | 375 | 375 |
| **Total foreign currency risk** | 285,252 | 202,710 |

### 24. FINANCIAL RISK MANAGEMENT - CONTINUED

**Foreign currency risk management – continued**

At 31 December 2018, if the GBP had weakened by 5% against the above currencies with all other variables held constant, the recalculated post-tax result for the year would have been £15,013k (2017: £10,669k) higher. Conversely a 5% strengthening of GBP would have resulted in the post-tax result being £13,583k (2017: £9,653k) lower.

**Interest rate risk management**

The Company has intercompany borrowings from Regent Acquisition (Holdings) Limited of £1,124k (2017: £1,087k) secured at a 12% fixed rate.

The Company is therefore not exposed to any material interest rate risk.

**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from the possibility that the Company will incur losses through the failure of its customers to meet their obligations. The Company does provide a limited amount of credit to its customers and credit exposures can arise, normally for a short period of time, as the Company depends on its customers to pay for monies and services provided and to perform their obligations on foreign exchange contracts. All material credit exposures require approval by the Company Credit Committee comprising individuals independent of business revenue generation. Credit exposures are monitored regularly against approved risk limits, with client margins called for where appropriate.

For certain clients the Company requires collateral to be posted when their positions are out of the money above a certain tolerance level.

Financial assets that were past due or impaired as at the 31 December 2018 amounted to £251k (2017: £653k).

**Credit quality**

In the absence of external credit ratings, the credit quality of financial assets that are neither past due or impaired are assessed by management taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal limits set by the board. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company carries out a credit assessment of each counterparty prior to entering into a trading relationship. These assessments are carried out internally and each counterparty is given a grading. The grading scale that the Company uses ranges from credit grade 1 (investment grade equivalent, being the least risky) to credit grade 7 (newly formed company with limited credit history, being the most risky).

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Forward contracts £000 | Option contracts £000 | Total £000 | Forward contracts £000 | Option contracts £000 | Total £000 |
| *Counterparties internal credit rating:* | | | | | | |
| Credit grade 6 | 245 | - | 245 | 584 | - | 584 |
| Credit grade 5 | 5,484 | - | 5,484 | 9,633 | - | 9,633 |
| Credit grade 4 | 3,309 | - | 3,309 | 6,780 | - | 6,780 |
| Credit grade 3 | 1,155 | - | 1,155 | 150 | - | 150 |
| Credit grade - other* | 8,847 | 3,653 | 12,500 | 3,084 | 9,751 | 12,835 |
| | 19,040 | 3,653 | 22,693 | 20,231 | 9,751 | 29,982 |
| *Counterparties with external credit ratings* | 21,323 | 5,598 | 26,921 | 30,160 | 400 | 30,560 |
| | 40,363 | 9,251 | 49,614 | 50,391 | 10,151 | 60,542 |

* Other grouping contains related party balances (see note 28 for further details) and the Company's private clients where an average credit adjustment has been applied. All internal groupings are deemed recoverable.

## 24. FINANCIAL RISK MANAGEMENT - CONTINUED

### Liquidity risk management

The settlement of forward and option contracts and other short term working capital requirements requires adequate liquidity which is generated through intra-day settlement facilities. These facilities are provided through financial institutions with which the Company has a long trading history. The Company seeks to manage this risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

### Liquidity risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities at the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Company may be required to pay.

| | Within 1 year £000 | Between 1 and 2 years £000 | Between 2 and 5 years £000 | 5+ years £000 | Total £000 |
|---|---|---|---|---|---|
| **At 31 December 2018** | | | | | |
| Borrowing principal and interest payments: | | | | | |
| - Related party loan | - | - | (1,124) | - | (1,124) |
| Trade and other payables | (424,751) | - | - | - | (424,751) |
| | (424,751) | - | (1,124) | - | (425,875) |
| **At 31 December 2017** | | | | | |
| Borrowing principal and interest payments: | | | | | |
| - Related party loan | - | - | (1,087) | - | (1,087) |
| Trade and other payables | (307,826) | - | - | - | (307,826) |
| | (307,826) | - | (1,087) | - | (308,913) |

The Company has access to financing facilities, of which £30,000k was unused at the balance sheet date (2017: £39,250k). The Company expects to meet its other obligations with operating cash flows and proceeds of maturing financial assets.

The following table details the Company's liquidity analysis for its derivative financial instruments based on contractual maturities. Brokering derivative contracts, specifically foreign currency forwards and foreign currency options, involves entering back to back contracts with the customer and vendor. The back to back nature of the transactions means that for each trade there is a cash outflow in one currency and a corresponding cash inflow in the same currency and as such it would be inappropriate to present only the liability positions. Foreign exchange options are fully back to back and therefore there is no net settlement value.

| **Assets** | Within 1 year £000 | Between 1 and 2 years £000 | Between 2 and 5 years £000 | 5+ years £000 | Total £000 |
|---|---|---|---|---|---|
| **At 31 December 2018** | | | | | |
| Foreign exchange forwards | 35,881 | 3,407 | 1,075 | - | 40,363 |
| Foreign exchange options | 5,774 | 1,950 | 1,527 | - | 9,251 |
| | 41,655 | 5,357 | 2,602 | - | 49,614 |
| **At 31 December 2017** | | | | | |
| Foreign exchange forwards | 47,508 | 2,883 | - | - | 50,391 |
| Foreign exchange options | 6,087 | 4,050 | 14 | - | 10,151 |
| | 53,595 | 6,933 | 14 | - | 60,542 |

### 24. FINANCIAL RISK MANAGEMENT - CONTINUED

| Liabilities | Within 1 year £000 | Between 1 and 2 years £000 | Between 2 and 5 years £000 | 5+ years £000 | Total £000 |
|---|---|---|---|---|---|
| **At 31 December 2018** | | | | | |
| Foreign exchange forwards | (29,311) | (2,814) | (934) | - | (33,059) |
| Foreign exchange options | (5,666) | (1,946) | (1,467) | - | (9,079) |
| | (34,977) | (4,760) | (2,401) | - | (42,138) |
| **At 31 December 2017** | | | | | |
| Foreign exchange forwards | (38,859) | (6,845) | - | - | (45,704) |
| Foreign exchange options | (5,810) | (3,866) | (14) | - | (9,690) |
| | (44,669) | (10,711) | (14) | - | (55,394) |

### 25. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders.

The capital risk management objective for the Company is to maintain sufficient liquidity after debt servicing to enable it to continue as a going concern.

The capital structure of the Company consists of net cash (as disclosed in note 23b) and equity of the Company comprising issued capital, reserves and retained earnings.

The Company is regulated by the Financial Conduct Authority under the Payment Services Directive and is required to keep an appropriate amount of client funds in a client safeguarding account.

The Company is not subject to any externally imposed capital requirements.

**Gearing ratio**

The gearing ratio at the year-end is as follows:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Borrowings | (1,124) | (1,087) |
| Cash and cash equivalents (excluding amounts held on behalf of customers) | 1,763 | 1,817 |
| **Net cash** | 639 | 730 |
| **Equity** | 67,312 | 70,915 |
| **Net cash to equity ratio** | 1% | 1% |

Borrowings are defined as long- and short-term borrowings and finance leases, but excluding derivatives contracts, as detailed in this note.

Equity includes all capital and reserves of the Company that are managed as capital.

The net cash to equity is in line with expectations.

## 26. COMMITMENTS AND CONTINGENT LIABILITIES

### 26a. Operating lease arrangements

**The Company as lessee**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Lease payments under operating leases recognised as an expense in the year | 1,821 | 1,690 |

At balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Within one year | 2,012 | 1,602 |
| In the second to fifth years inclusive | 7,642 | 6,080 |
| After five years | 6,651 | 7,158 |
| | 16,305 | 14,840 |

### 26b. Other commitments and contingent liabilities

Other than the operating lease commitments above, the Company has no financial commitments or contingent liabilities outside of payables presented on the face of the balance sheet at the reporting date.

## 27. LITIGATION AND CLAIMS

Following the acquisition of First Rate FX Limited and as part of the completion accounting, the Company was unable to establish completeness over the client money balances held by First Rate FX Limited. The Company used its own house cash to cover the shortfall in June 2018. The issue is being disputed by the former shareholders of First Rate FX Limited as part of a legal dispute over the completion accounts.

Two of the former shareholders of First Rate FX Limited have lodged a claim for unfair dismissal against their former employer TTT Moneycorp Limited. The Company refutes the claim and an employment tribunal is scheduled to take place in September 2019.

The Directors have assessed the specifics of the case, along with the likely outcomes and potential for any eventual liability falling upon the Company and believe this risk to be remote.

The Company was not part of any other legal proceeding during the reporting year.

## 28. RELATED PARTY BALANCES AND TRANSACTIONS

### 28a. Trading transactions

Commission revenue earned on traded derivative contracts from related parties is disclosed in note 6. Balances relating to management charges are disclosed below in note 28d.

Trade receivable and trade payable balances held with related parties at year end are disclosed in notes 16 and 19 respectively. Derivative financial instruments between the Company and its related parties are disclosed below.

The following derivative positions were held with related companies at year end:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| **Related party financial assets** | | |
| Foreign currency forward contracts | 1,870 | - |
| Foreign currency options | 3,653 | 9,751 |
| **Total related party financial assets** | 5,523 | 9,751 |
| **Related party financial liabilities** | | |
| Foreign currency forward contracts | (2,156) | - |
| Foreign currency options | (5,598) | (400) |
| **Total related party financial liabilities** | (7,754) | (400) |

## 28. RELATED PARTY BALANCES AND TRANSACTIONS - CONTINUED

### 28a. Trading transactions - continued

During the year, the Company entered into the following transactions with related parties who are not members of the Group.

**Other related parties**
The gross amount of currencies sold to these companies is shown below:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Dorna Sports, S.L. | 2,500 | - |
| Element Materials Technology Holding UK Limited | 35,114 | 53,560 |
| Fat Face Limited | 62,128 | 20,015 |
| Hobbycraft Trading Limited | 14,732 | 58,640 |
| Loc Group Limited | 18,754 | 13,478 |
| Wiggle Limited | - | 8,555 |

These transactions were made on an arm length basis.

The following gross amounts relating to unsettled currency contracts were outstanding as at the balance sheet date:

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Fat Face Limited | 11,555 | 9,039 |
| Hobbycraft Trading Limited | 5,386 | 9,529 |

The above entities are connected by common control. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

### 28b. Directors' and management transactions

The following transactions were entered into by Directors of the Company during the year:

- M Horgan entered into foreign exchange transactions yielding commission income of £12 (2017: £7) with an average margin of 0.01%. No transactions were outstanding at the year end (2017: nil).
- N Haslehurst entered into foreign exchange transactions yielding commission income of £10 (2017: £36) with an average margin of 0.03%. No transactions were outstanding at the year end (2017: nil).
- S Green entered into foreign exchange transactions yielding commission income of £259 (2017: nil). No transactions were outstanding at the year end (2017: nil).
- R Moores entered into foreign exchange transactions yielding commission income of £46 (2017: nil) with an average margin of 0.58%. No transactions were outstanding at the year end (2017: nil).
- R Moores held €123,353 within his Euro trading account as at 31 December 2018.
- P Lever (directorship ceased during 2018) entered into foreign exchange transactions yielding commission income of £562 (2017: £196) at an average margin of 0.61%. Transactions totalling £1,000 were outstanding at the year end (2017: £1,000).

Private client transactions carried out on standard terms will earn the Company margin in the range of 1% to 1.5%.

## 28. RELATED PARTY BALANCES AND TRANSACTIONS - CONTINUED

### 28c. Remuneration of key management personnel

The remuneration of the Directors paid by the Company is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Wages and salaries | 1,227 | 1,339 |
| Post-employment benefits | 9 | 9 |
| | 1,236 | 1,348 |

One director is a member of a money purchase pension scheme (2017: one director).

No Directors received compensation for loss of office during the year (2017: nil).

### 28d. Management charge

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Management charge | 3,938 | 5,202 |

Management charges are presented net within administration expenses. The above amounts reflect the amount recharged from the Company to other Group entities as governed by intercompany services agreements.

## 29. ULTIMATE HOLDING COMPANY AND CONTROLLING ENTITY

At balance sheet date, the Directors consider that the Company's immediate parent and controlling party is Regent Acquisitions (Holdings) Limited (100% effective holding), incorporated and registered in Jersey, Channel Islands.

The ultimate holding company is Moneta Topco Limited (100% effective holding), a company incorporated and registered in Jersey, Channel Islands. This company produces consolidated financial statements and this group represents the largest group that the Company is a subsidiary of.

Consolidated financial statements are also produced for Moneta Midco II Limited, a company incorporated and registered in Jersey, Channel Islands. This group represents the smallest group that the Company is a subsidiary of, for which consolidated financial statements are produced.

The consolidated financial statements for Moneta Topco Limited and Moneta Midco II Limited may be obtained from Floor 5, Zig Zag Building, 70 Victoria Street, SW1E 6SQ.

The ultimate controllers of Moneta Topco Limited at balance sheet date were Bridgepoint Europe IV (Nominees) Limited.

## 30. EVENTS AFTER THE BALANCE SHEET DATE

Moneycorp Brasil Participacoes Ltda, a subsidiary of the Company, acquired a further 47.5% of Novo Mundo on 31 January 2019 increasing the overall holding to 90%. There is no financial impact of this transaction on the unconsolidated financial statements of the Company.