

Moneycorp Financial Risk Management Limited

Annual report and financial statements

For the year ended 31 December 2022

Registered number: 05774742

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Moneycorp Financial Risk Management Limited

Company information

Company registration number
05774742

Date of incorporation
7 April 2006

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

Directors
Glenn Uniacke
Marianne Pells

Independent auditors
BDO LLP
55 Baker Street
London
W1U 7EU

Bankers
Barclays Bank Plc
1 Churchill Place
London
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Royal Bank of Scotland Plc
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London
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Trading name
Moneycorp Financial Risk Management Limited

Moneycorp Financial Risk Management Limited

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Moneycorp Financial Risk Management Limited

Strategic report

For the year ended 31 December 2022

The Directors present their strategic report for Moneycorp Financial Risk Management Limited ('the Company') for the year ended 31 December 2022.

Review of the business and future developments

The Company is a United Kingdom-based, payments business, with a principal activity of acting as a broker in the provision of foreign currency products, specifically foreign exchange forwards and options, to businesses and individuals.

Operations are underpinned by strict regulations and licence requirements, providing expert and trustworthy services. As the Company provides services to clients linked to 'financial instruments' and the venues where those instruments are traded, the Company falls within scope of the Markets in Financial Instruments Directive (MiFID). MiFID II requirements, effective 2018, provide greater protection for investors and more transparency into all asset classes.

Performance for the year and outlook

The profit for the year after taxation amounted to £1,557k (2021: £1,957k). Net assets as at 31 December 2022 were £11,400k (2021: £9,843k). All comparatives relate to the year ended 31 December 2021.

Overall, revenue increased by 10% year-on-year from £7,771k in 2021 to £8,567k in 2022. New client revenue contributed an increase of £567k in total revenue. The largest proportion of revenue relates to option premiums. The overall revenue generated from option premiums increased by £1,158k (19%) year-on-year. Revenue from regulated foreign exchange forwards, in the form of margin on traded derivative contracts decreased by £434k (25%) compared to 2021. For financial reporting purposes, this revenue is presented as a net gain on financial instruments held at fair value through profit or loss.

Administrative expenses increased by £1,767k (31%), which is in line with the increase of revenue. This is largely attributed to the implementation of a Group wide Transfer Pricing policy.

Transfer pricing is a global requirement to price transactions between related parties on an "arm's length basis". This is now a legal requirement for tax, audit and regulatory reporting in most countries. The aim of transfer pricing is to prevent multinational enterprises from shifting profits between tax jurisdictions in order to artificially reduce the amount of taxes payable. The introduction of a global minimum tax rate (OECD Pillar II) is imminent, which will force all multinationals (including Moneycorp) to implement transfer pricing regardless of company size. Moneycorp has implemented this procedure in 2022 to avoid a rushed adoption at a later stage and to allow time to refine our internal processes accordingly. The performance of the Company includes recharges from other entities in the Moneycorp Group for shared costs on an "arm's length basis" using a recognised cost plus a mark-up methodology with externally reviewed benchmark rates that are standardised across the group.

The Company is able to source the most competitive rates, which can then be passed through to clients via the Moneycorp Group entity which utilises a panel of 16 liquidity providers.

The Company's strategy is to grow and solidify its position as a world-leading and truly global digital payments platform, by capitalising on the strength of its technology, high quality service, competitive pricing and cost efficient operating model, aligned with the strategy of Moneycorp Group.

Rigorous and digitally-enabled compliance, designed to meet the requirements of regulators including the Financial Conduct Authority (FCA) underpins the trust that clients and other stakeholders place in the Group's brand.

Our mission is to be the first choice for clients' international payments and foreign exchange needs.

The results since 31 December 2022 have been outlined in the Directors' Report as part of the going concern assessment, and are in line with expectations.

Moneycorp Financial Risk Management Limited

Strategic report (continued)

For the year ended 31 December 2022

Strategy and 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 in which the Company operates, the Company currently has a low market share which provides a large market opportunity for our future growth ambitions.

Risk Management

The Company is authorised and regulated by the FCA and does not consider current or known future regulation to be financially or operationally prohibitive.

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, being management control, risk and compliance oversight functions and independent assurance. The 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 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. Systems are designed to manage and, as far as possible, eliminate the risk of failure to achieve business objectives. They can provide robust, but not absolute, assurance against material misstatement or loss.

The Company leverages off the Moneycorp Group's systems and infrastructure, whose operational budgets include appropriate investment levels to ensure that critical systems and processes are maintained, client data is protected and staff are properly trained and developed.

Regulatory and compliance risk

Regulatory risk is the risk of financial or reputational losses arising from failure to meet the requirements of the Company's regulator, the FCA. 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 Moneycorp Group's Chief Risk and Compliance Officer (CRCO) and there is a dedicated UK Head of Risk & Compliance supported by a compliance team within the business. This team ensures compliance with Anti Money Laundering and Countering Financing of Terrorism (AML/CFT), Sanctions, Client Assets, Conduct of business rules and other legal, regulatory and licensing requirements including compliance with all FCA requirements. The Moneycorp Group's legal team, in conjunction with external legal counsel, advises on the regulatory environment in which the Company operates, and provides advice on any measures required to maintain operating licences.

Cyber and technology risk

The Company and wider Moneycorp Group has adopted the "Three Lines of Defence" for information and cyber security. The dedicated Information Security Team, headed by the Group Chief Information Security Officer, acts as the second line of defence, reporting into the CRCO.

The Moneycorp Group has invested in the ISO27001 security programme to enhance the identification, protection, detection, response and recovery, from any potential security incident. The Group also has a mandatory security training programme to increase awareness of the potential threats and tactics used by cyber criminals.

Moneycorp Financial Risk Management Limited

Strategic report (continued)

For the year ended 31 December 2022

Risk Management - continued

Financial risks

Currency risk - The Company's primary business activity involves brokering derivative contracts, specifically foreign currency forwards and foreign currency options, to clients and entering back-to-back arrangements with a related party, TTT Moneycorp Limited. As such, the back-to-back nature of the transactions eliminates currency risk for the Company on these balances.

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 derivative financial instrument contracts and other short term working capital requirements necessitates adequate liquidity which is generated through retained earnings and intra-day settlement and liquidity facilities. These facilities are provided by a range of financial institutions with which the Moneycorp Group has a long trading history.

Credit risk - The Company does not provide traditional forms of credit to its clients. However, credit exposures do arise, normally for short periods of time, as the Company depends on its clients and counterparties to pay for monies and services provided and to honour their obligations under foreign exchange contracts. Company policies require new and increased client credit exposures to be approved by the independent credit department. Material credit exposures are overseen by the Group Credit Committee, which is chaired by and comprises a majority of individuals who are independent from the revenue generation functions of the business.

Credit exposures are monitored daily by the credit department and action taken where appropriate. Most commonly this will be a call for cash margin from a client when a pre-determined risk limit is reached or, by exception, when a client's credit profile is deemed to have deteriorated significantly. A summary of aggregated and material individual credit exposures is presented to and discussed by the Group's Risk Committee periodically.

More information is disclosed in note 18 to the financial statements.

Moneycorp Financial Risk Management Limited

Strategic report (continued)

For the year ended 31 December 2022

Directors' duties under Section 172 of the Companies Act 2006

The Directors are mindful of their responsibilities under section 172 of the Companies Act 2006. Whilst performing their duties the Directors have acted in a way that they consider in good faith to be most likely to promote the success of the Company for the benefit of its members, whilst taking into consideration a range of stakeholders' views. This includes consideration of the following points:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, clients and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

The intention of the Directors is to behave responsibly and ensure that management operate the business in an appropriate manner, with the high standard of conduct expected of a regulated business such as ours. The intention is to nurture the Company's reputation through building and maintaining relationships with key stakeholders.

We recognise that the Company's clients are at the very heart of our business and that treating clients fairly is a key ingredient to developing and maintaining a long term sustainable business. Business is always conducted with integrity, skill, care and diligence. The business pays due regard to the information needs of its clients and communicates information to them in a way which is clear, fair and not misleading. As such, clients can be confident that they are dealing with a business where the fair treatment of clients is central to the corporate culture.

The Company, as part of the wider Moneycorp Group, is committed to employee involvement as it believes that its business objectives are best achieved if employees understand and support the strategy. As a Group we act with honesty and integrity and recognise that well trained, highly motivated staff are our most important asset. In addition, training is available and provided to all levels of staff, and investment in employee development is a priority. The Directors ensure any key decisions that impact the business are communicated to employees regularly and openly.

The Company operates in a highly regulated environment and the Directors acknowledge the importance of open and continuous dialogue with its regulators. As steps are taken to achieve its strategic objectives, the Directors pay careful consideration to the corresponding risks faced by the Company. Regular risk committee meetings are held to ensure that the Company is meeting its regulatory requirements including compliance with all FCA requirements.

Good ethics, good business and best practice are compatible and produce the best long term results. The Company's values of accountability, collaboration, determination, integrity and recognition are embedded throughout the business.

Moneycorp Financial Risk Management Limited
Strategic report (continued)
For the year ended 31 December 2022

Subsequent events

Banking turmoil

Regarding the recent banking turmoil in the US, and globally, the Company does not have a direct trading or banking relationship with Silicon Valley Bank, Silvergate Bank, Signature Bank or Credit Suisse or any related entity.

As at the date of signing the Directors consider there are no other significant subsequent events.

On behalf of the Board



Marianne Pells
Director
26 April 2023

Moneycorp Financial Risk Management Limited

Directors' report

For the year ended 31 December 2022

The Directors present their report and the audited financial statements of Moneycorp Financial Risk Management Limited (the 'Company') incorporated and domiciled in England and Wales, United Kingdom (UK) for the year ended 31 December 2022.

Directors

The Directors listed below have served the Company during the year and up to the date of signing the financial statements unless otherwise stated:

Andrew Harrison (resigned 13 January 2022)
Mark Horgan (resigned 27 May 2022)
Lee Stephen McDarby (resigned 27 May 2022)
Glenn Uniacke (appointed 23 May 2022)
Marianne Pells (appointed 23 May 2022)

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.

Principal activities and outlook

The principal activity of the Company is acting as a broker in the provision of foreign currency products, specifically foreign exchange forwards and options, to businesses and individuals. The Company is authorised and regulated by the Financial Conduct Authority (FCA).

A review of the business and future developments, including subsequent events, along with the Company's risk management are described within the Strategic Report on pages 3-7.

Results and dividends

The statement of comprehensive income for the year ended 31 December 2022 is set out on page 14. The Directors do not recommend the payment of a dividend (year ended 31 December 2021: nil).

Performance measurement

The Company's most significant Key Performance Indicators (KPIs) are measured as follows:

- revenue growth;
- client acquisition and retention; and
- EBITDA growth.

Even though the number of clients actively trading decreased year on year, wallet share in the established booked achieved growth of 3% and overall revenue growth was 10% on revenue.

Charitable and political donations

No donations were made for charitable or political purposes during the year (year ended 31 December 2021: nil).

Going concern basis

The Directors assess the Company's going concern for a period of at least 12 months from the signing of the annual report and financial statements. The assessment has been undertaken by considering the risk factors and events arising subsequent to year end, outlined in the Strategic Report.

In making this assessment the Directors considered:

- 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 (stress testing);
- the adequacy of insurance cover;
- the continued availability of financing facilities and trading lines;
- the regulatory environment in which the Company operates;
- the effectiveness of risk management policies, in particular, business continuity, compliance, regulatory and counterparty risks; and
- the financial support from the intermediate and ultimate holding companies to support its business.

Moneycorp Financial Risk Management Limited

Directors' report (continued)

For the year ended 31 December 2022

Going concern basis - continued

Performance subsequent to the reporting date:

The performance for the Company for Quarter 1 2023 has been detailed below. Despite some challenges in the macro economic environment with high rates of inflation and a changing interest rate environment the Company has performed materially in line with the prior year. This is as a result of the Company established client base continuing to require a range of hedging products in the face of economic uncertainty.

For Quarter 1 2023 the Company reported revenue of £2,351k, against Quarter 1 2022 (£2,324k). EBITDA for Quarter 1 2023 was £2,231k against Quarter 1 2022 (£1,930k).

Assessment:

Going concern of the Company is considered as part of the Moneycorp Group's going concern assessment. As part of this the Directors have undertaken scenario planning to understand the impact on the EBITDA and cash flows for the Moneycorp Group (including the Company). This assessment included various scenarios such as adverse movements to interest rates, inflation, foreign exchange rates and other macroeconomic factors from the 2023 budget, forecasted out for at least 12 months from the signing date of this report).

Even if these scenarios were to eventuate, they would not result in a material adverse impact and therefore the Directors have concluded that the Moneycorp Group and the Company could continue to operate as a going concern. This is supported by the additional following factors:

- the diversity of the Moneycorp Group and Company's operations, product offerings and client base assists in reducing the overall risk;
- the Moneycorp Group's existing senior debt facility was refinanced during the year, extending maturity out to 2029. Management continue to maintain positive ongoing relationships with the wider Moneycorp Group's lenders; and
- the agreed financial support from the ultimate controller to the Moneycorp Group in the form of short term funding or increased equity funding in order to support operations.

The Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the Moneycorp Group and Company were unable to continue as a going concern.

Directors' responsibilities statement 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom (UK). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the UK have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Moneycorp Financial Risk Management Limited
Directors' report (continued)
For the year ended 31 December 2022

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

BDO LLP have indicated their willingness to continue in office, and a resolution for them to be reappointed will be proposed at the next meeting of the Board of Directors.

On behalf of the Board



Marianne Pells
Director
26 April 2023

Independent auditors' report to the members of Moneycorp Financial Risk Management Limited

For the year ended 31 December 2022

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with the UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Moneycorp Financial Risk Management Limited ("the Company") for the year ended 31st December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorized for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

Independent auditors' report to the members of Moneycorp Financial Risk Management Limited

For the year ended 31 December 2022

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which the company operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, those resulting from being authorised by the Financial Conduct Authority to undertake regulated activities and relevant accounting standards.

We considered compliance with this framework through discussions with management and performed audit procedures on these areas as considered necessary. Our procedures involved enquiries with Management, review of the reporting to the directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements.

Our tests included, but were not limited to:

- We discussed among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for management bias in the client cash creditor. Furthermore, we communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance;

Independent auditors' report to the members of Moneycorp Financial Risk Management Limited

For the year ended 31 December 2022

- testing of journal postings made during the year to identify potential management override of controls;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

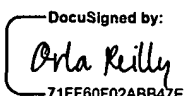
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Orla Reilly (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London

Dated 26 April 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Moneycorp Financial Risk Management Limited
Statement of comprehensive income
For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	7	8,567	7,771
Administrative expenses	8	(7,434)	(5,667)
Net foreign exchange gains/(losses)		415	(271)
Operating profit		1,548	1,833
Finance costs		-	-
Profit before tax		1,548	1,833
Tax credit	9	9	124
Profit from continuing operations		1,557	1,957
Profit and total comprehensive income for the year attributable to the owners of the Company		1,557	1,957

No other comprehensive income items were recorded during the year (2021: nil).

The above statement should be read in conjunction with the accompanying notes on pages 18 to 39.

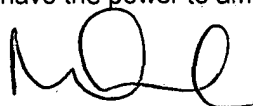
Moneycorp Financial Risk Management Limited

Balance sheet

As at 31 December 2022

	Note	2022 £000	2021 £000
Non-current assets			
Deferred tax asset	14	<u>13</u>	<u>4</u>
		13	4
Current assets			
Cash and cash equivalents	11	13,042	8,944
Trade and other receivables	12	1,695	2,715
Prepayments		52	74
Derivative financial instruments	13, 18	<u>19,484</u>	<u>13,137</u>
		34,273	24,870
Total assets		34,286	24,874
Current liabilities			
Trade and other payables	15	(3,762)	(3,420)
Current tax liabilities		(1)	(1)
Derivative financial instruments	13, 18	<u>(19,123)</u>	<u>(11,610)</u>
Total liabilities		(22,886)	(15,031)
Net assets		11,400	9,843
Equity			
Share capital	16	2,100	2,100
Retained earnings		<u>9,300</u>	<u>7,743</u>
Total equity		11,400	9,843

The financial statements of Moneycorp Financial Risk Management Limited (registered number 05774742) were approved by the Board of Directors and authorised for issue on 26 April 2023. The Directors do not have the power to amend the financial statements after issue. They were signed on its behalf by:



Director
Marianne Pells

26 April 2023

The above balance sheet should be read in conjunction with the accompanying notes on pages 18 to 39.

Moneycorp Financial Risk Management Limited
Statement of changes in equity
For the year ended 31 December 2022

	Share Capital £000	Retained earnings £000	Total Equity £000
Balance at 1 January 2021	2,100	5,786	7,886
Profit for the year	-	1,957	1,957
Total comprehensive income	-	1,957	1,957
Balance at 31 December 2021	2,100	7,743	9,843
Balance at 1 January 2022	2,100	7,743	9,843
Profit for the year	-	1,557	1,557
Total comprehensive income	-	1,557	1,557
Balance at 31 December 2022	2,100	9,300	11,400

The above statement should be read in conjunction with the accompanying notes on pages 18 to 39.

Moneycorp Financial Risk Management Limited

Statement of cash flows

For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Net cash generated from operations	17	4,080	6,147
Income tax paid		-	(488)
Net cash inflow from operating activities		<u>4,080</u>	<u>5,659</u>
Cash flows from financing activities			
Repayments of lease liabilities		-	(6)
Net cash outflow from financing activities		<u>-</u>	<u>(6)</u>
Net increase in cash and cash equivalents		<u>4,080</u>	<u>5,653</u>
Cash and cash equivalents at the beginning of the year		8,944	3,324
Effects of exchange rate changes on cash and cash equivalents		18	(33)
Cash and cash equivalents at the end of the year	11	<u><u>13,042</u></u>	<u><u>8,944</u></u>

The above statement should be read in conjunction with the accompanying notes on pages 18 to 39.

Moneycorp Financial Risk Management Limited

Notes to the financial statements

For the year ended 31 December 2022

1. GENERAL INFORMATION

Moneycorp Financial Risk Management Limited (the 'Company') is a private company limited by shares, incorporated in England and Wales, United Kingdom (UK) 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 7. Details about the Moneycorp Group holding company and controlling entity are outlined in note 22.

2. BASIS OF PREPARATION

Compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK and in line with the UK adopted international accounting standards.

Historical cost convention

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments) which 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. 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.

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. Refer to note 13 for details over each level.

Going concern basis

As noted in the Directors Report on page 8 the Directors assess the Company's going concern for a period of at least 12 months from the signing of the annual report and financial statements. The assessment has been undertaken by considering the risk factors and events arising subsequent to year end, outlined in the Strategic Report.

In making this assessment the Directors considered:

- 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 (stress testing);
- the adequacy of insurance cover;
- the continued availability of financing facilities and trading lines;
- the regulatory environment in which the Company operates;
- the effectiveness of risk management policies, in particular, business continuity, compliance, regulatory and counterparty risks; and
- the financial support from the intermediate and ultimate holding companies to support its business.

The performance for the Company for Quarter 1 2023 has been detailed in the going concern section of the Directors Report. Despite a difficult the macro economic environment with high rates of inflation and a changing interest rate environment the Company has performed to expectations and is materially in line with performance from the prior year. This is a result of the Company established client base continuing to require a range of hedging products in the face of economic uncertainty.

Moneycorp Financial Risk Management Limited **Notes to the financial statements (continued)** For the year ended 31 December 2022

2. BASIS OF PREPARATION - CONTINUED

Going concern basis - continued

Going concern of the Company is considered as part of the Moneycorp Group's going concern assessment. As part of this the Directors have undertaken scenario planning to understand the impact on the EBITDA and cash flows for the Moneycorp Group (including the Company). This assessment included various scenarios such as adverse movements to interest rates, inflation, foreign exchange rates and other macroeconomic factors from the 2023 budget, forecasted out for at least 12 months from the signing date of this report).

Even if these sensitivities were to eventuate, they would not result a material adverse impact and therefore the Directors have concluded that the Moneycorp Group and the Company could continue to operate as a going concern. This is supported by the additional following factors:

- the diversity of the Moneycorp Group and Company's operations, product offerings and client base assists in reducing the overall risk;
- the Moneycorp Group's existing senior debt facility was refinanced during the year, extending maturity out to 2029. Management continue to maintain positive ongoing relationships with the wider Moneycorp Group's lenders; and
- the agreed financial support from the ultimate controller to the Moneycorp Group in the form of short term funding or increased equity funding in order to support operations.

The Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the Moneycorp Group and Company were unable to continue as a going concern.

3. NEW AND REVISED STANDARDS ADOPTED IN THE CURRENT YEAR

The Company has adopted the following standards and amendments for the first time for the annual reporting year commencing 1 January 2022:

Standard	New standard / amendment:
- IAS 16 <i>Property, Plant and Equipment</i> – new guidance on proceeds before intended use	Amendment
- IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> – clarification of onerous contract costs definition	Amendment
- IFRS 3 <i>Business Combinations</i> – updates references to revised 2018 Conceptual Framework	Amendment
- Annual Improvements to IFRS Standards 2018-2020: IFRS 9 <i>Financial Instruments</i> , IFRS 16 <i>Leases</i> , IFRS 1 <i>First time Adoption of IFRS</i> and IFRS 4 <i>Agriculture</i>	Amendment

None of these developments have had a material effect on how the Company's income statement or Company's balance sheet for the current or prior period have been prepared or presented.

Moneycorp Financial Risk Management Limited **Notes to the financial statements (continued)** For the year ended 31 December 2022

4. NEW AND REVISED STANDARDS NOT YET ADOPTED

Certain new standards and interpretations have been published that are not mandatory for the 31 December 2022 reporting period and have not been early adopted by the Company.

Standard	New standard / amendment:	Effective for annual reporting periods beginning on or after:
- IFRS 17 <i>Insurance Contracts</i>	New	1 January 2023
- IAS 1 <i>Presentation of Financial Statements</i>	Amendment	1 January 2023
- IFRS 16 <i>Leases</i>	Amendment	1 January 2024
- IAS 1 <i>Presentation of Financial Statements</i>	Amendment	1 January 2024
- IAS 28 <i>Investments in Associates and Joint Ventures</i>	Amendment	Yet to be advised
- IFRS 10 <i>Consolidated Financial Statements</i>	Amendment	Yet to be advised

None of the above standards that are not yet effective are expected to have a material impact on the Company in the current or future reporting periods or on foreseeable future transactions.

5. SIGNIFICANT ACCOUNTING POLICIES

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

Functional and presentation currency

Items included in the company 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, and have been rounded to the nearest thousand pounds, except when otherwise indicated.

Foreign currencies

The financial statements of the company are presented in its functional currency which is in pounds sterling (GBP).

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at year end exchange rates. Non-monetary items that are measured at 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 denominated in foreign currencies at year end exchange rates to the functional currency, are recognised in the income statement.

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Moneycorp Financial Risk Management Limited **Notes to the financial statements (continued)** For the year ended 31 December 2022

5. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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:

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.

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 a financial liability 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 of cash, including short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Any overdrawn bank accounts are presented separately on the balance sheet.

Trade and other receivables

Trade and other receivables relates to option premiums and related party receivables. They are recognised at original contract value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Impairment of financial assets at amortised cost

At the reporting date the Company measures a loss allowance on financial assets other than those at fair value through profit or loss. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortised cost regardless of if the risk has increased significantly since initial recognition or not. The amount of the loss allowance on financial assets is recognised in the statement of comprehensive income within administrative expenses.

For trade and other receivables, balances are written off against the net impairment loss where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a counterparty to engage in a repayment plan with the Company or the counterparty entering bankruptcy or financial reorganisation. Subsequent recoveries of amounts previously written off are credited against the same line item within administrative expenses.

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.

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Moneycorp Financial Risk Management Limited **Notes to the financial statements (continued)** For the year ended 31 December 2022

5. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial liabilities at amortised cost

Trade and other payables

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

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 forward and option contracts to businesses and individuals.

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 within revenue. Further details regarding the fair value measurement and valuation process of derivative financial instruments are disclosed in note 13.

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, irrespective of the contractual maturity date.

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

Revenue consists of the margin earned between the buying and selling price of currencies sold in foreign exchange forward and option contracts. As derivative contracts are classed as financial instruments, revenue is recognised based on the requirements of IFRS 9 *Financial Instruments*. Revenue is recognised on trade date and presented as a net gain on financial instruments held at fair value through profit or loss.

Option premium revenue is earned from entering option contracts with either banks or clients. Revenue is earned regardless of if an option is exercised or not. There is one agreed transaction price and it is wholly allocated to one performance obligation. Revenue is recognised at the point in time when the contract is entered into, with payment received subsequently as outlined on the contract.

Interest earned and paid on client held funds forms part of the general operations of the Company and hence is presented as part of revenue and administrative expenses respectively.

Finance income and costs

The Company classifies interest on its operating bank accounts, as well as other costs associated with the management of cash and cash equivalents and debt, as finance costs.

Taxation

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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Moneycorp Financial Risk Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

5. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation - continued

Current tax

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, at the balance sheet date.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base. Deferred tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses. The amount of the asset or liability is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred liability is settled.

Related parties

Transactions between the Moneycorp Group (which includes the Company) and its subsidiaries, meet the definition of a related party transaction.

Key management personnel, and persons connected with them, are also considered to be related parties. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

Transactions between the Company and entities who are not members of the Moneycorp Group, but are connected via common control, are also deemed to be related parties.

Related party transactions are disclosed in note 21.

Transfer pricing

Transfer pricing is a global requirement to price transactions between related parties on an "arm's length basis". This is now a legal requirement for tax, audit and regulatory reporting in most countries. The aim of transfer pricing is to prevent multinational enterprises from shifting profits between tax jurisdictions in order to artificially reduce the amount of taxes payable. The introduction of a global minimum tax rate (OECD Pillar II) is imminent, which will force all multinationals (including the Moneycorp Group) to implement transfer pricing regardless of company size. Moneycorp has implemented this procedure in 2022 to avoid a rushed adoption at a later stage and to allow time to refine our internal processes accordingly. The performance of the Company includes recharges from other entities in the Moneycorp Group for shared costs on an "arm's length basis" using a recognised cost plus a mark-up methodology with externally reviewed benchmark rates that are standardised across the Group.

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 5, 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.

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Moneycorp Financial Risk Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY - CONTINUED

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 impact on the amounts recognised in the financial statements.

Transfer pricing

As outlined in note 5, the Group has implemented a global transfer pricing policy which results in the recharging of shared revenue/costs on an "arm's length basis" across entities in the Moneycorp Group. Management have applied judgement in the implementation of the Group policy, primarily in relation to the determination of the cost and allocation base. The transfer pricing charges have been determined using a recognised cost plus mark-up methodology, which has been standardised across the Group. These have then been allocated across the Group entities based on an appropriate allocation base of the cost incurred, such as trading flows. Both key judgements have been determined based on engagements with independent expert consultants.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the 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.

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.

The fair value of derivative financial assets and liabilities are stated after adjustments to reflect counterparty credit risk. Information about the valuation techniques and inputs used in determining the fair value, including adjustments for credit risk, are disclosed in note 13.

The Company recognises derivative financial assets when counterparty positions are out of the money (from the perspective of the counterparty). Derivative financial liabilities are recognised by the Company when counterparty positions are in the money (from the perspective of the counterparty).

Counterparty credit risk adjustments on derivative financial assets are recorded within profit or loss. To prevent an accounting mismatch, the Company has elected to also recognise credit risk adjustments on derivative financial liabilities in profit or loss, rather than in other comprehensive income. The critical judgements for counterparty credit risk adjustments are the credit ratings which are assigned internally by the Moneycorp Group Credit Department to counterparties and the corresponding default rate assigned to each credit rating.

Further judgements are made in regards to the default rate assigned to the Company which is applied to derivative financial liabilities in order to reflect the possibility of default by the Company. See note 13 for further details.

Impairment of financial assets at amortised cost

Under IFRS 9, a forward-looking impairment model, based on expected credit losses ('ECLs'), applies to financial assets held at amortised cost. ECLs are probability-weighted estimates of credit losses. In calculating this ECL allowance, the Company considers information about past events and current conditions as well as supportable information about future events and economic conditions. See note 18 for further details.

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Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

7. REVENUE

	2022	2021
	£000	£000
Revenue earned from financial instruments		
Net gain on financial instruments held at fair value through profit or loss	1,298	1,732
Revenue from contracts with customers		
Option premiums	7,197	6,039
Other revenue		
Operating interest revenue	72	-
Total revenue	<u>8,567</u>	<u>7,771</u>

Revenue presented above relates to transactions executed in the UK.

8. ADMINISTRATIVE EXPENSES

Included within administrative expenses are the following:

	2022	2021
	£000	£000
Management charges (see note 21c)	6,532	5,225
Third party commissions	529	43
Legal and professional	263	226
Auditor's remuneration (see note 8a)	122	87
Net impairment losses on financial assets (see note 18)	(13)	52
Bank charges and transaction fees	1	23
Irrecoverable value-added tax	-	11
	<u>7,434</u>	<u>5,667</u>

8a. Auditor's remuneration

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

	2022	2021
	£000	£000
Fees paid or payable to the Company's auditors		
Audit of the Company's annual financial statements	44	50
Audit of the prior year Company's annual financial statements - incurred in the current year	-	2
Other non-audit fees		
Other assurance services - client money	78	35
Total audit fees paid or payable to Company auditors	<u>122</u>	<u>87</u>

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Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

9. TAX CREDIT

	2022	2021
	£000	£000
Corporation tax:		
Over provision in respect of prior years	-	(127)
Deferred tax:		
Current year (credit)/charge	(9)	3
Total tax credit	<u>(9)</u>	<u>(124)</u>

Corporation tax is calculated at 19.00% (2021: 19.00%) of the estimated assessable profit for the year. The tax credit for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2022	2021
	£000	£000
Profit before tax on continuing operations	<u>1,548</u>	<u>1,833</u>
Tax at the current tax rate of 19.00% (2021: 19.00%)	294	348
Tax effect of expenses that are not deductible	-	(3)
Over provision in respect of prior years	-	(127)
Recognition of deferred tax	(23)	-
Transitional adjustments on IFRS conversion	3	3
Tax effect of Group relief received	<u>(283)</u>	<u>(345)</u>
Total tax credit for the year	<u>(9)</u>	<u>(124)</u>

On 3 March 2021, it was announced that from 1 April 2023, the main rate of corporation tax will increase to 25%. The deferred tax balances included within the financial statements, as at 31 December 2022, have been calculated with reference to the rate of 25% in accordance with IFRS.

10. FINANCIAL ASSETS AND LIABILITIES

Categories of financial instruments

	2022	2021
	£000	£000
Financial assets		
<i>Financial assets at amortised cost</i>		
Cash and cash equivalents	13,042	8,944
Trade and other receivables	1,695	2,715
<i>Financial assets at fair value through profit or loss</i>		
Derivative financial instruments held for trading	<u>19,484</u>	<u>13,137</u>
	<u>34,221</u>	<u>24,796</u>
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables	(3,762)	(3,420)
<i>Financial liabilities at fair value through profit or loss</i>		
Derivative financial instruments held for trading	<u>(19,123)</u>	<u>(11,610)</u>
	<u>(22,885)</u>	<u>(15,030)</u>

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

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Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

11. CASH AND CASH EQUIVALENTS

	2022 £000	2021 £000
Company cash and bank balances	1,316	895
Funds held in designated client accounts	11,726	8,049
	<u>13,042</u>	<u>8,944</u>

Restricted cash

Restricted cash relates to all funds which are held for a specific purpose and not available for immediate use by the Company.

Client restricted cash

The Company holds client funds with external banks at year end which fall into scope of the Markets in Financial Instruments Regulations (the "MiFID Regulations"), related to options and in-scope forwards, which are subject to the Client Assets Sourcebook (CASS).

The Company is regulated by the Financial Conduct Authority (FCA). Any collateral held in relation to options and in-scope forwards, which are subject to the CASS, is held in segregated client bank accounts which are off balance sheet and not included in the cash and cash equivalents balance above.

Company restricted cash

Company restricted cash relates to funds restricted by additional regulations in accordance with the CASS rules, which for the Company are held in designated client bank accounts.

12. TRADE AND OTHER RECEIVABLES

	2022 £000	2021 £000
Amounts falling due within one year:		
Trade receivables	55	103
Loss allowance (see note 18)	<u>(52)</u>	<u>(65)</u>
	3	38
Related party receivables	1,685	2,677
Other debtors	<u>7</u>	<u>-</u>
	<u>1,695</u>	<u>2,715</u>

Related party receivables comprise of an intercompany balance of £1,685k with TTT Moneycorp Limited, other related party (2021: £2,677k). All related party receivables are deemed fully recoverable.

As detailed in note 18, the Company enters back-to-back arrangements with TTT Moneycorp Limited. As such the related party balance at the balance sheet date includes related party recharges, such as the management charge, as well as timing differences arising from the movement of client held funds between these two companies.

Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

13. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial assets is calculated as the mark to market (MTM) less any credit valuation adjustments (CVA) to reflect counterparty credit risk. 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 (Fenics) and discussed further under the fair value hierarchy below.

The Company carries out an internal credit assessment of each counterparty prior to entering into a trading relationship, performed by the Moneycorp Group Credit Department. The grading scale that the Company uses ranges from credit grade 1 (investment grade equivalent, being the least risky) to credit grade 7 (in essence an entity which appears failed, being the most risky). In order to calculate the CVA for derivative financial assets a default rate is assigned to each credit rating. Whilst the Company has not carried out an exercise in allocating a credit rating using credit rating agencies, both an expected credit grading and default rate have been estimated based on management experience and judgement. These estimates are used to adjust the derivative asset value in order to take into account the credit risk of the 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 derivative financial asset exposure before the CVA is calculated. The value of this collateral against the exposure sits at £6,567k as at 31 December 2022.

Similarly a DVA is applied to the derivative financial liabilities to reflect the risk of the Company defaulting on the balance payable to the counterparty. This default rate has been estimated by management based on an expected credit grading that would be assigned to the Company, and then applying a corresponding default rate to that grading using credit rating agencies as a guide.

Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

13. DERIVATIVE FINANCIAL INSTRUMENTS - CONTINUED

	2022 £000	2021 £000
Un-adjusted forwards MTM (excluding CVA and DVA)		
Financial assets		
Foreign currency forward contracts	4,170	4,861
Foreign currency option contracts	16,060	8,361
Total financial assets	<u>20,230</u>	<u>13,222</u>
Financial liabilities		
Foreign currency forward contracts	(3,337)	(3,547)
Foreign currency option contracts	(16,060)	(8,361)
Total financial liabilities	<u>(19,397)</u>	<u>(11,908)</u>

	2022 £000	2021 £000
Adjusted fair value (as presented on the balance sheet)		
Financial assets		
Foreign currency forward contracts	4,093	4,797
Foreign currency option contracts	15,391	8,340
Total financial assets	<u>19,484</u>	<u>13,137</u>
Financial liabilities		
Foreign currency forward contracts	(3,268)	(3,458)
Foreign currency option contracts	(15,855)	(8,152)
Total financial liabilities	<u>(19,123)</u>	<u>(11,610)</u>

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. Levels are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- 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).

The value of foreign currency forward contracts are determined using observable forward exchange rates and contract forward rates, adjusted to take into account the credit risk of the counterparty.

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; and
- risk free rate.

Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

13. DERIVATIVE FINANCIAL INSTRUMENTS - CONTINUED

The foreign currency option valuations are then adjusted to take into account the credit risk of the counterparty.

	2022			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Foreign currency forward contracts	-	4,093	-	4,093
Foreign currency option contracts	-	15,391	-	15,391
Total	<u>-</u>	<u>19,484</u>	<u>-</u>	<u>19,484</u>
Financial liabilities				
Foreign currency forward contracts	-	(3,268)	-	(3,268)
Foreign currency option contracts	-	(15,855)	-	(15,855)
Total	<u>-</u>	<u>(19,123)</u>	<u>-</u>	<u>(19,123)</u>

	2021			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Foreign currency forward contracts	-	4,797	-	4,797
Foreign currency option contracts	-	8,340	-	8,340
Total	<u>-</u>	<u>13,137</u>	<u>-</u>	<u>13,137</u>
Financial liabilities				
Foreign currency forward contracts	-	(3,458)	-	(3,458)
Foreign currency option contracts	-	(8,152)	-	(8,152)
Total	<u>-</u>	<u>(11,610)</u>	<u>-</u>	<u>(11,610)</u>

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

Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

14. DEFERRED TAX ASSET

Deferred tax assets reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following are the deferred tax assets recognised by the Company and movements thereon during the current and prior reporting year.

	2022 £000	2021 £000
Balance at the beginning of the year	4	7
Credit/(charge) to the statement of comprehensive income	9	(3)
Balance at the end of the year	<u>13</u>	<u>4</u>

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

	2022 £000	2021 £000
Deferred tax assets:		
Other short term timing differences	12	-
Revaluation of financial assets	<u>1</u>	<u>4</u>
	<u>13</u>	<u>4</u>

On 3 March 2021, it was announced (and received Royal assent on 10 June 2021) that from 1 April 2023, the main rate of corporation tax will increase to 25%. The deferred tax balances included within the financial statements have been calculated with reference to the rate of 25%.

15. TRADE AND OTHER PAYABLES

	2022 £000	2021 £000
Amounts falling due within one year:		
Related party payables	3,607	3,319
Accruals	144	94
Other payables	<u>11</u>	<u>7</u>
	<u>3,762</u>	<u>3,420</u>

Related party payables comprise of balances with other related companies within the Moneycorp Group and are unsecured, non-interest bearing and repayable on demand with no fixed date of repayment.

16. SHARE CAPITAL

	2022 000's	2021 000's
Ordinary shares of £1 each:		
Authorised - number	1,000	1,000
Allotted, called up and fully paid - value	£750	£750
Allotted, called up and fully paid - number	750	750
Preference shares of £1 each:		
Authorised - number	1,450	1,450
Allotted, called up and fully paid - value	£1,350	£1,350
Allotted, called up and fully paid - number	1,350	1,350

Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

17. NOTES TO THE CASH FLOW STATEMENT

17a. Net cash generated from operations

	2022	2021
	£000	£000
Operating profit from:		
Continuing operations	1,548	1,833
Adjustment for non-cash items		
Depreciation of right-of-use assets	-	4
Net exchange differences	(18)	33
	<u>1,530</u>	<u>1,870</u>
Movements in working capital:		
Decrease in trade and other receivables	1,020	3,337
Decrease/(increase) in prepayments	22	(74)
(Increase)/decrease in derivative financial instrument assets	(6,347)	11,282
Increase in trade and other payables	342	950
Increase/(decrease) in derivative financial instrument liabilities	7,513	(11,218)
Net cash generated from operations	<u>4,080</u>	<u>6,147</u>

17b. Net cash reconciliation

		Liabilities from financing activities		
	Cash (excluding client designated accounts) £000	Lease liabilities due within 1 year £000	Lease liabilities due after 1 year £000	Total £000
Opening balance at 1 January 2021	361	(6)	-	355
Cash flows	540	6	-	546
Foreign exchange adjustments	(6)	-	-	(6)
Net cash as at 31 December 2021	<u>895</u>	<u>-</u>	<u>-</u>	<u>895</u>
Opening balance at 1 January 2022	895	-	-	895
Cash flows	403	-	-	403
Foreign exchange adjustments	18	-	-	18
Net cash as at 31 December 2022	<u>1,316</u>	<u>-</u>	<u>-</u>	<u>1,316</u>

Moneycorp Financial Risk Management Limited **Notes to the financial statements (continued)** For the year ended 31 December 2022

18. FINANCIAL RISK MANAGEMENT

Financial risk management objectives

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

Market risk

The principal activity of the Company is acting as a broker in the provision of foreign currency products to clients, which is carried out by entering back-to-back arrangements with TTT Moneycorp Limited, other related party. The back-to-back nature of the transactions eliminates exchange rate risk for the Company and means the financial exposure is limited to client credit risk.

The Company has considered other risks including market risk (currency risk, interest rate risk and price risk), liquidity risk and cash flow interest rate risk. Any change in foreign currency risk for a given client 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 derivative financial instruments 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 the client are economically hedged through a corresponding movement in the contract entered into with TTT Moneycorp Limited.

The Company maintains bank balances in a number of currencies, and is therefore exposed to movements in foreign exchange rates on these balances. Cash and cash equivalent balances, including funds held in designated client accounts, held in foreign currencies (in their GBP equivalent) at year end were as follows:

Currency	2022 £000	2021 £000
Chinese yuan (CNY)	60	-
United States dollar (USD)	603	188
Euro (EUR)	1,472	9
Total foreign currency risk	2,135	197

At 31 December 2022, if the GBP had weakened by 5% against the above currencies with all other variables held constant, the recalculated post-tax profit for the year would have been £112k (2021: £10k) higher. Conversely a 5% strengthening of GBP would have resulted in the post-tax profit being £102k (2021: £9k) lower.

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.

The Company does provide a limited amount of credit to its clients and credit exposures can arise, normally for a short period of time, as the Company depends on its clients to pay for monies and services provided and to honour their contractual obligations on foreign exchange contracts. All material credit exposures require approval by the Moneycorp Group 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.

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Moneycorp Financial Risk Management Limited **Notes to the financial statements (continued)** For the year ended 31 December 2022

18. FINANCIAL RISK MANAGEMENT - CONTINUED

Credit risk management - continued

For certain clients the Company requires collateral to be posted when their positions are out of the money above a certain tolerance level. For options and in-scope forwards, collateral is held in segregated client bank accounts which are off balance sheet.

Credit risk for financial assets at amortised cost

The Company has two types of financial assets that are subject to the expected credit loss (ECL) model:

- cash and cash equivalents; and
- trade and other receivables.

Cash and cash equivalents are held with a number of reputable credit institutions, therefore the ECL is immaterial.

For trade and other receivables, including option premium receivables, an ECL has been calculated in line with the simplified approach outlined in the accounting policy in note 5, which uses a lifetime expected loss allowance. To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles over a period of 24 months before the balance sheet date and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information, which is both reasonable and supportable, taking into account macroeconomic factors affecting the ability of the clients to settle the receivables. After careful consideration it has been determined that no adjustments for forward looking considerations were required as at 31 December 2022 (2021: nil).

Based on historical recovery rates, the loss allowance as at 31 December 2022 was determined as 0.9% for anything aged less than 30 days (2021: 0.7%). Anything aged greater than 60 days becomes highly unlikely to be recovered based on the general 2-3 day turn around cycle between trade maturity and settlement and therefore 100% ECL has been applied to this category. For anything between these aging categories 50% has been applied.

All related party receivables are deemed fully recoverable.

The loss allowances for trade and other receivables at the balance sheet date can be reconciled to the opening loss allowances as follows:

	2022 £000	2021 £000
Opening ECL provision	65	13
Decrease in loss allowance recognised in profit or loss during the year	(13)	52
Closing ECL provision	<u>52</u>	<u>65</u>

Credit quality

In the absence of external credit ratings, the credit quality of financial assets 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 clients, 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 (in essence an entity which appears failed, being the most risky).

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Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

18. FINANCIAL RISK MANAGEMENT - CONTINUED

Credit quality – continued

The majority of the Group's corporate clients fall between credit grades 3 and 5 which reflects the small and medium sized enterprise (SME) nature of the Group's client base.

The below table discloses the gross amount of exposure the Company has for each credit grade. At the balance sheet date the Company held collateral against this exposure of £6,567k (2021: £641k).

Derivative financial assets	2022		
	Forward contracts £000	Option contracts £000	Total £000
<i>Counterparties internal credit rating:</i>			
Credit grade 6	28	-	28
Credit grade 5	76	2,415	2,491
Credit grade 4	7	6,834	6,841
Credit grade 3	19	625	644
Credit grade 2	-	-	-
Credit grade 1	-	-	-
Credit grade - other*	1,633	4,633	6,266
	<u>1,763</u>	<u>14,507</u>	<u>16,270</u>
<i>Non-client counterparty: Other related parties</i>	2,330	884	3,214
Total derivative financial assets	<u>4,093</u>	<u>15,391</u>	<u>19,484</u>

Derivative financial assets	2021		
	Forward contracts £000	Option contracts £000	Total £000
<i>Counterparties internal credit rating:</i>			
Credit grade 6	379	36	415
Credit grade 5	860	212	1,072
Credit grade 4	602	326	928
Credit grade 3	51	-	51
Credit grade 2	-	-	-
Credit grade 1	-	-	-
Credit grade - other*	103	4	107
	<u>1,995</u>	<u>578</u>	<u>2,573</u>
<i>Non-client counterparty: Other related parties</i>	2,802	7,762	10,564
Total derivative financial assets	<u>4,797</u>	<u>8,340</u>	<u>13,137</u>

*The 'other' grouping contains all smaller counterparties, including private clients and small companies, where an average credit adjustment has been applied.

Liquidity risk management

The settlement of forward and option contracts, and other short term working capital requirements, necessitates adequate liquidity which is generated through intra-day settlement and liquidity facilities. These facilities are provided by TTT Moneycorp Limited, other related company, who has facilities with a number of financial institutions. Additionally there is a wider Moneycorp Group financing facility available, including a committed revolving facility to provide short term liquidity, which the Company has access to if required. Liquidity and cash is managed on a daily basis by the Moneycorp Group Treasury team. 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.

Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

18. FINANCIAL RISK MANAGEMENT - CONTINUED

Liquidity risk management - continued

Liquidity risk tables

The following table 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. For all financial liabilities the expected maturities are the same as the contractual maturities.

	Within 1 year £000	1-2 years £000	2-5 years £000	5+ years £000	Total £000
At 31 December 2022					
Trade and other payables	3,762	-	-	-	3,762
	<u>3,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,762</u>
At 31 December 2021					
Trade and other payables	3,420	-	-	-	3,420
	<u>3,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,420</u>

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 client and TTT Moneycorp Limited. 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	1-2 years £000	2-5 years £000	5+ years £000	Total £000
At 31 December 2022					
Foreign exchange forwards	3,959	134	-	-	4,093
Foreign exchange options	9,599	3,209	2,558	25	15,391
	<u>13,558</u>	<u>3,343</u>	<u>2,558</u>	<u>25</u>	<u>19,484</u>
At 31 December 2021					
Foreign exchange forwards	4,592	185	20	-	4,797
Foreign exchange options	5,023	2,149	559	609	8,340
	<u>9,615</u>	<u>2,334</u>	<u>579</u>	<u>609</u>	<u>13,137</u>

Moneycorp Financial Risk Management Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

18. FINANCIAL RISK MANAGEMENT - CONTINUED

Liquidity risk tables - continued

Liabilities	Within 1 year £000	1-2 years £000	2-5 years £000	5+ years £000	Total £000
At 31 December 2022					
Foreign exchange forwards	(3,167)	(101)	-	-	(3,268)
Foreign exchange options	(9,868)	(3,316)	(2,645)	(26)	(15,855)
	<u>(13,035)</u>	<u>(3,417)</u>	<u>(2,645)</u>	<u>(26)</u>	<u>(19,123)</u>
At 31 December 2021					
Foreign exchange forwards	(3,311)	(137)	(10)	-	(3,458)
Foreign exchange options	(4,913)	(2,099)	(546)	(594)	(8,152)
	<u>(8,224)</u>	<u>(2,236)</u>	<u>(556)</u>	<u>(594)</u>	<u>(11,610)</u>

19. CAPITAL RISK MANAGEMENT

Capital risk is the risk that the Company has an insufficient level or composition of capital to support the Company's business activities and associated risks during both normal economic environments and under stressed conditions. The capital risk management objective for the Company is to maintain sufficient capital after debt servicing to enable it to continue as a going concern while maximising the return to shareholders.

The Company is authorised under the Markets in Financial Instruments Directive (MIFID) and regulated by the FCA under the prudential requirements for solo-regulated UK firms. The FCA's Investment Firms Prudential Regime came into force on 1st January 2022.

The Company maintains its overall financial and capital adequacy in line with the requirements of MIFIDPRU. The MIFIDPRU framework builds on the FCA's general approach to assessing the adequacy of financial resources. This approach details the requirements for capital which:

- allows firms to operate and provide services through the economic cycle; and
- allows for an orderly wind-down without causing undue economic harm to clients, the market or to the integrity of the UK financial system.

The capital structure of the Company consists of equity comprised of issued capital and retained earnings as disclosed in the statement of changes in equity. The Company also holds and monitors core liquid assets in line with the threshold requirements under MIFIDPRU. These requirements are assessed at least annually and form part of the Company's Internal Capital Adequacy Risk Assessment. As of 31 December 2022, £1,316k of core liquid assets were held and this balance is constantly assessed and adjusted to meet the regulatory requirements.

20. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date the Company has no financial commitments or contingent liabilities outside of the liabilities presented on the balance sheet (2021: nil).

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Moneycorp Financial Risk Management Limited **Notes to the financial statements (continued)** For the year ended 31 December 2022

21. RELATED PARTY BALANCES AND TRANSACTIONS

21a. Trading transactions

Balances relating to management charges are disclosed in note 21c.

Trade receivable and trade payable balances held with other related parties at the balance sheet date are disclosed in notes 12 and 15 respectively.

The following derivative positions were held with other related parties within the Moneycorp Group at the balance sheet date:

	2022 £000	2021 £000
Related party financial assets		
Foreign currency forward contracts	2,330	2,802
Foreign currency option contracts	884	7,762
Total related party financial assets	<u>3,214</u>	<u>10,564</u>
Related party financial liabilities		
Foreign currency forward contracts	(2,354)	(2,277)
Foreign currency option contracts	(15,026)	(584)
Total related party financial liabilities	<u>(17,380)</u>	<u>(2,861)</u>

21b. Remuneration of key management personnel

All the Directors of the Company are also executive directors of other companies within the Moneycorp Group. Emoluments are paid by these other related companies in respect of services of directors to the Company. This is included in the management charge as detailed below in note 21c. No Directors received compensation for loss of office during the year (2021: nil).

21c. Management charge

	2022 £000	2021 £000
Group Management charge	1,888	-
TTT Management charge	4,644	5,225
	<u>6,532</u>	<u>5,225</u>

Management charges are presented within administration expenses disclosed in note 8. The above amounts reflect the amount recharged to the Company by TTT Moneycorp Limited as governed by an Intercompany Services Agreement. In addition, during 2022, Moneycorp Group implemented a global transfer pricing policy and the additional group management charge reflects the implementation of this policy.

Moneycorp Financial Risk Management Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

22. MONEYCORP GROUP HOLDING COMPANY AND CONTROLLING ENTITY

At balance sheet date, the Directors consider that the Company's immediate parent and controlling party is Moneycorp Group Limited (100% effective holding), 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 holding company of the Moneycorp Group of holding companies 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 (referred to within these financial statements as the 'Moneycorp Group') represents the largest group that the Company is a subsidiary of.

The ultimate controller of Moneta Topco Limited at the balance sheet date was Bridgepoint Europe IV (Nominees) Limited.

23. EVENTS AFTER THE BALANCE SHEET DATE

Banking turmoil

Regarding the recent banking turmoil in the US, and globally, the company does not have a direct trading or banking relationship with Silicon Valley Bank, Silvergate Bank, Signature Bank or Credit Suisse or any related entity.

As at the date of signing the directors do not consider any items material of note.