

Moneycorp Financial Risk Management Limited

Annual report and financial statements

for the year ended 31 December 2017

Registered number: 05774742

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Moneycorp Financial Risk Management Limited

Financial statements for the year ended 31 December 2017

Company information

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

Company registration number

05774742

Date of incorporation

7 April 2006

Bankers

Barclays Bank Plc

93 Baker Street

London

W1A 4SD

Trading name

Moneycorp Financial Risk Management
Limited

Royal Bank of Scotland Plc

250 Bishopsgate

London

EC2M 4AA

Registered office

Floor 5, Zig Zag Building

70 Victoria Street

London

SW1E 6SQ

Directors

N Haslehurst

M Horgan

Moneycorp Financial Risk Management Limited

Financial statements for the year ended 31 December 2017

Contents	Page(s)
Directors' report	3-4
Strategic report	5-6
Independent auditors' report	7-8
Income statement	9
Balance sheet	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13-27

Moneycorp Financial Risk Management Limited

Directors' report

For the year ended 31 December 2017

The Directors present their report and the audited financial statements of Moneycorp Financial Risk Management Limited incorporated and domiciled in England, United Kingdom 'the Company' for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is acting as a broker in the provision of foreign exchange spot, forward and option transactions to businesses and individuals. The Company is authorised and regulated by the Financial Conduct Authority (FCA).

Results and dividends

The income statement for the year is set out on page 9. The Directors do not recommend the payment of a dividend (year ended 31 December 2016: nil). A review of the business and future developments along with the Company's risk management are described within the Strategic report.

Performance measurement

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

- Revenue growth
- Customer acquisition and retention
- EBITDA growth

Directors

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

N Haslehurst

M Horgan

Charities and donations

No donations were made for charitable or political purposes during the year (year ended 31 December 2016: £nil).

Going concern

The financial statements have been prepared on a going concern basis.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

Moneycorp Financial Risk Management Limited
Directors' report
For the year ended 31 December 2017

Statement of directors' responsibilities in respect of the financial statements (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to independent auditors

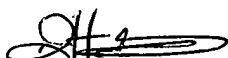
In accordance with Section 418 of the Companies Act 2006, each Director in office at the date of approval of this report has confirmed that:

- (a) As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) They have taken all the steps that he ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

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

On behalf of the board



N Haslehurst

Director

25 April 2018

Moneycorp Financial Risk Management Limited

Strategic report

For the year ended 31 December 2017

The Directors present their strategic report for the year ended 31 December 2017.

Review of the business and future developments

The principal activities of the Company are the provision of foreign currency spot, forward and options transactions to businesses and individuals.

The profit for the year amounted to £425,741 (2016: loss of £101,345). Net assets at 31 December 2017 were £1,196,542 (2016: £770,501). All comparatives relate to the year ended 31 December 2016.

The underlying business remained stable in 2017 although lower transaction volumes lead to revenue for the year decreasing by 21% to £4,567,337 (2016: increase of 145% to £5,750,486) with corresponding transaction costs reducing by 30% to £4,136,380 (2016: increase of 182% to £5,871,223) which resulted in the profit for the year.

Financial performance during 2017 was below budgeted expectations. The branch in Madrid that was set up in the middle of 2016 was loss making in 2017, in line with expectations, but has become profitable in the first quarter of 2018.

The Company's strategic objective for the future is to focus on further revenue growth through expanding the customer base and retaining existing customers.

The company commenced selling regulated foreign currency forward contracts in January 2018 following the changes brought about by MiFID II.

Risks and uncertainties

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

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 organisation. 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 and can provide robust, but not absolute, assurance against material misstatement or loss.

Financial risk

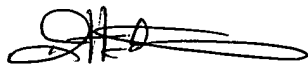
- **Currency risk** - The Company maintains bank balances in a number of currencies, and is therefore exposed to movements in foreign exchange rates on these limited balances.
- **Liquidity risk** - The settlement of contracts and other short term working capital requirements requires adequate liquidity which is generated through intra-day settlement facilities. 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.
- **Credit risk** - Credit risk arises from the possibility that the Company will incur losses from the failure of its customers to meet their obligations. The Company does not generally provide credit to its customers but credit exposures can arise, normally for a short period of time, as the Company depends on its customers to pay for monies and services provided and to perform on foreign exchange contracts. All material credit exposures require approval by the 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. More information is disclosed in note 13 to the financial statements.

Moneycorp Financial Risk Management Limited
Strategic report
For the year ended 31 December 2017

Physical risk - Physical risk arises from the Company's exposure to theft, misappropriation or damage to its physical assets. The Company maintains appropriate physical security measures and operates suitable policies and procedures to mitigate this risk. The Company also maintains appropriate levels of insurance to limit its exposure.

Regulatory and compliance risk - Regulatory risk is the risk of the financial or reputational loss arising from failure to meet the requirements of the Company's regulators. Compliance risk is the risk that the Company fails to adhere to the relevant rules and regulations that apply to its business. The Company has a dedicated team to set policy and ensure compliance with the FCA, anti-money laundering regulations and other regulatory requirements throughout the business operations.

On behalf of the board



N Haslehurst

Director

25 April 2018

Moneycorp Financial Risk Management Limited

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

Report on the financial statements

Our opinion

In our opinion, Moneycorp Financial Risk Management Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the balance sheet as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Moneycorp Financial Risk Management Limited

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3-4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

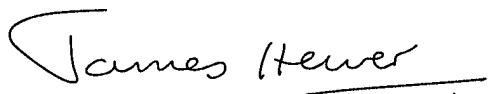
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



James Hewer (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

25 April 2018

Moneycorp Financial Risk Management Limited
Statement of comprehensive income
For the year ended 31 December 2017

		Year Ended 31 December 2017 £000	Year Ended 31 December 2016 £000
Continuing operations:	Note		
Revenue	2	4,567	5,751
Administrative expenses	3	(4,136)	(5,871)
Operating profit/(loss)	3	431	(120)
Finance costs	6	(2)	-
Profit/(loss) before tax		429	(120)
Tax	7	(3)	19
Other comprehensive income net of tax		-	-
Total profit/(loss) and comprehensive income/(expense) for the year attributable to the owners of the Company		426	(101)

All results derive from continuing operations.

There is no difference between the profit/(loss) before taxation and the profit/(loss) for the years stated above and their historical cost equivalents.

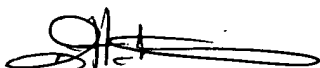
The notes on pages 13 to 27 form part of the financial statements.

Moneycorp Financial Risk Management Limited
Balance sheet
As at 31 December 2017

		31 December 2017 £000	31 December 2016 £000
	Note		
Non-current assets			
Property, plant and equipment	8	47	48
Deferred Tax Asset	7	16	19
		63	67
Current assets			
Trade and other receivables	9	839	504
Cash and cash equivalents	11	2,470	386
Derivative financial instruments	13	10,025	9,955
		13,334	10,845
Total assets		13,397	10,912
Current liabilities			
Trade and other payables	10	(1,959)	(212)
Derivative financial instruments	13	(10,241)	(9,929)
Total liabilities		(12,200)	(10,141)
Net assets		1,197	771
Equity			
Share capital	12	2,100	2,100
Accumulated losses		(903)	(1,329)
Total Equity		1,197	771

The financial statements of Moneycorp Financial Risk Management Limited (registered number 05774742) on pages 9 to 12 were approved by the Board of Directors on 25 April 2018 and signed on its behalf. The Directors do not have the power to amend the financial statements after issue. They were signed on its behalf by:

Director



N Haslehurst
25 April 2018

Moneycorp Financial Risk Management Limited
Statement of changes in equity
For the year ended 31 December 2017

	Share Capital £000	Accumulated losses £000	Total Equity £000
Balance at 1 January 2016	2,100	(1,228)	872
Loss for the year and total comprehensive expense	-	(101)	(101)
Balance at 31 December 2016	2,100	(1,329)	771
Profit for the year and total comprehensive income	-	426	426
Balance at 31 December 2017	2,100	(903)	1,197

Moneycorp Financial Risk Management Limited
Statement of cash flows
For the year ended 31 December 2017

		Year Ended 31 December 2017 £000	Year Ended 31 December 2016 £000
Net cash from operating activities	Note 4	2,097	(32)
Investing Activities			
Purchases of property, plant and equipment		(13)	(50)
Net cash flow generated from operating and investing activities		2,084	(82)
Net increase/(decrease) in cash and cash equivalents		2,084	(82)
Cash and cash equivalents at beginning of year		386	468
Cash and cash equivalents at end of year		2,470	386

Moneycorp Financial Risk Management Limited

Notes to the financial statements

For the year ended 31 December 2017

1. Significant accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss, and in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The principal accounting policies, which have been applied consistently, are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. These financial statements have been presented to the nearest thousand pounds.

Property, plant and equipment

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

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

Depreciation is recognised so as to write off the cost or valuation less their residual values over their useful lives, using the straight-line method, on the following bases:

Fixtures and fittings	15%
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Computer equipment	25%
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The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(a) Basis of preparation

The financial statements have been prepared on a going concern basis.

(b) Foreign currencies

Trading transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling when the transaction took place. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in arriving at the operating profit. The fair value relating to derivative foreign currency exchange contracts are reported in the balance sheet under derivative financial assets and derivative financial liabilities respectively.

(c) Revenue

Revenue comprises a spread on the premium charged on FX spots, forwards and option products, recognised when a deal is transacted. The Revenue is the premium received from the client less the premium payable to TTT Moneycorp Limited. Income for the international payments business consists of the margin charged on spot and forward currency deals. Income is recognised at trade date.

(d) Financial instruments

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

Moneycorp Financial Risk Management Limited
Notes to the financial statements
For the year ended 31 December 2017

1. Significant accounting policies (continued)

Accounting for derivative financial instruments

All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets, including using valuation techniques, including discounted cash flow and option pricing models, as appropriate. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of all derivative instruments are recognised immediately in the income statement.

Financial assets

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

Trade and other receivables are initially measured at fair value. Subsequently they are carried at amortised cost using the effective interest method less any provision for impairment. A provision for bad debt is made when it is likely that the balance will not be recovered in full.

Financial liabilities

Trade and other payables are initially measured at fair value. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(e) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable results and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Moneycorp Financial Risk Management Limited

Notes to the financial statements

For the year ended 31 December 2017

1. Significant accounting policies (continued)

(f) New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IAS 7 Disclosure Initiative - Amendments to IAS 7

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

Transfers of Investment Property (Amendments to IAS 40)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRS 16 Leases

Annual improvements to IFRSs: 2012 – 2014 Amendment to: IAS 28 Investments in Associates and Joint Ventures, IFRS 12 Disclosure of Interests in Other Entities

2012 – 2014 Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

Issued and effective

IFRS 15 Revenue from Contracts with Customers

IFRS 9 Financial Instruments

The directors have made an impact assessment for IFRS 9 Financial Instruments. They have concluded that initial and subsequent measurement of derivative assets and liabilities will remain the same as the treatment under IAS 39. The company has also assessed the impact of assets held at amortised cost, mainly cash held at banks. Based on the associated credit risk of our counterparties, and our assessment to date, we believe the impact will not be material.

The directors have also made an impact assessment for IFRS 15 Revenue from Contracts with Customers. As the revenue the company earns is from derivative contracts it is outside the scope of the standard.

(g) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, 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.

Moneycorp Financial Risk Management Limited

Notes to the financial statements

For the year ended 31 December 2017

1. Significant accounting policies (continued)

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 options are considered to be Level 2 as the fair value measurements are derived from inputs other than quoted prices that are directly or indirectly observable.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 13.

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

Derivative financial assets arise where client positions are out of the money. These receivable balances have a credit valuation adjustment (CVA) applied. This is calculated based on an internal assessment of the client credit risk, with the receivable amounts being discounted using a rate that reflects the risk of default.

Derivative financial liabilities arise where client positions are in the money. These payable balances have a debit valuation adjustment (DVA) applied. This adjustment reflects the risk of the Company defaulting on the balance payable to the client and is calculated using an estimate of the Company's borrowing costs.

2 Revenue

Revenue consists of income generated in the United Kingdom and Spain.

3. Operating profit/(loss)

Operating profit/loss for the year has been arrived at after charging:

	Year Ended 31 December 2017 £000	Year Ended 31 December 2016 £000
Staff costs	603	168
Depreciation for Property, plant and equipment	15	2

Operating profit/(loss) is stated after charging fees payable to the Company Auditors and tax consultant for:

	Year Ended 31 December 2017 £000	Year Ended 31 December 2016 £000
The audit of the financial statements	31	32

Moneycorp Financial Risk Management Limited
Notes to the financial statements
For the year ended 31 December 2017

4. Operating cash flow

	Year Ended 31 December 2017 £000	Year Ended 31 December 2016 £000
Operating profit/(loss)	431	(120)
Adjustment for:		
Depreciation of property, plant and equipment	15	2
Operating cash flows before movements in working capital	446	(118)
Increase in receivables	(408)	(2,318)
Increase in payables	2,061	2,404
Cash generated by operations	2,099	(32)
Interest paid	(2)	-
Net cash from operating activities	2,097	(32)

5. Employee information

The average monthly number of employees was:

	2017 Number	2016 Number
Operations	9	3
	9	3

	Year Ended 31 December 2017 £000	Year Ended 31 December 2016 £000
Their aggregate remuneration comprised:		
Wages and salaries	495	143
Social security costs	108	25
Other pension costs	-	-
	603	168

The directors did not receive any emoluments in respect of their services to the company (2016: £nil).

Their emoluments were borne by TTT Moneycorp Limited, a related company.

Moneycorp Financial Risk Management Limited
Notes to the financial statements
For the year ended 31 December 2017

6. Finance costs

	Year Ended 31 December 2017 £000	Year Ended 31 December 2016 £000
Bank interest expense	2	-
	<u>2</u>	<u>-</u>

7. Tax

	Year Ended 31 December 2017 £000	Year Ended 31 December 2016 £000
Current tax	-	-
Deferred tax (charge)/credit	(3)	19
Total tax credit	<u>(3)</u>	<u>19</u>

Corporation tax is calculated at 19.25% (2016: 20%) of the estimated assessable profit/(loss) for the year.

Moneycorp Financial Risk Management Limited
Notes to the financial statements
For the year ended 31 December 2017

7. Tax (continued)

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

	Year Ended 31 December 2017 £000	Year Ended 31 December 2016 £000
Profit/(loss) before tax on continuing operations	429	(120)
Tax at the current tax rate of 19.25% (2016: 20%)	83	(24)
Tax effect of expenses that are not deductible	3	(1)
Prior year adjustment credit	-	23
Transitional adjustments on IFRS conversion	(3)	-
Tax effect of group relief	(86)	21
Total tax (charge)/credit for the year	(3)	19

The following are the deferred tax assets recognised by the Company and movements thereon during the current and prior reporting period.

	Total £000
At 1 January 2017	19
Revaluation of financial assets	(3)
Prior year adjustment	-
	16
At 31 December 2017	

Moneycorp Financial Risk Management Limited
Notes to the financial statements
For the year ended 31 December 2017

8. Property, plant and equipment

	Computer equipment £000
Cost	
At 1 January 2017	50
Additions	14
Disposals	-
At 31 December 2017	64
Accumulated depreciation	
At 1 January 2017	2
Charge for the year	15
Disposals	-
At 31 December 2017	17
Carrying amount	
At 31 December 2017	47
At 31 December 2016	48

9. Trade and other receivables

	31 December 2017 £000	31 December 2016 £000
Amounts falling due within one year:		
Trade and other receivables	837	496
Prepayments and accrued income	2	8
	839	504

Trade and other receivables principally comprised of an intercompany balance (£0.8m) with TTT Moneycorp Limited, a related company.

10. Trade and other payables

	31 December 2017 £000	31 December 2016 £000
Amounts falling due within one year:		
Other payables	1,907	183
Accruals and deferred income	52	29
	1,959	212

Other payables principally comprised of outstanding customer balances (£1.8m).

Moneycorp Financial Risk Management Limited

Notes to the financial statements

For the year ended 31 December 2017

11. Cash and cash equivalents

These comprise of cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. At 31 December 2017, the Company's cash balances included £1.8m of customer deposits (31 December 2016: nil).

12. Share capital

	31 December 2017 000's	31 December 2016 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

13. Financial Instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The Company manages its capital by maintaining its Tier 1 capital which is regularly reviewed by the Board to ensure it is adequate for the level of risk.

The capital structure of the Company consists of equity comprising issued capital, reserves and accumulated losses as disclosed in note 12 and the Company statement of changes in equity.

The Company is authorised and regulated by the FCA and as part of the Capital Resource Directive it is required to hold adequate capital which is calculated under the Capital Requirements Regulation.

The Company seeks to maintain a capital adequacy ratio in excess of 125% of the financial resources requirement. This target was met throughout 2017. As at 31st December 2017 the capital adequacy ratio was 153% (2016:152%).

Moneycorp Financial Risk Management Limited

Notes to the financial statements

For the year ended 31 December 2017

13. Financial Instruments (continued)

Gearing ratio

The Company held no debt at the balance sheet date and hence gearing was nil.

Categories of financial instruments

	31 December 2017 £000	31 December 2016 £000
Financial assets		
Cash and bank balances	2,470	386
Fair value through profit and loss (FVTPL)		
Foreign currency spots, forwards and options	10,025	9,955
Other receivables	839	504
	13,334	10,845
Financial liabilities		
Fair value through profit and loss (FVTPL)		
Foreign currency spots, forwards and options	(10,241)	(9,929)
Other financial liabilities at amortised cost	(1,959)	(212)
	(12,200)	(10,141)

Financial risk management objectives

The Company's principle business activities involve brokering derivative contracts, specifically foreign exchange spots, forwards, European and American Options, entering back to back option arrangements with the customer and TTT Moneycorp Ltd, a related Company that is part of the Moneta Topco Ltd Group. The back to back nature of the transactions eliminates exchange rate risk of the Company's operations and means the financial exposure of the Company is limited to client credit risk. The Company has considered other risks including market risk (currency risk, fair value, interest rate risk and price risk), liquidity risk and cash flow interest rate risk. Any changing risk profile in one contract will be mitigated by an offset in the corresponding back to back contract arrangement.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 customer are managed through a corresponding movement in the option contract entered into with TTT Moneycorp Ltd.

The Company does maintain bank balances in a number of currencies, and is therefore exposed to movements in foreign exchange rates on these limited balances.

Moneycorp Financial Risk Management Limited

Notes to the financial statements

For the year ended 31 December 2017

13. Financial Instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk arises from the possibility that the Company will incur losses from the failure of its customers to meet their obligations. The Company does not generally provide credit to its customers but credit exposures can arise, normally for a short period of time, as the Company depends on its customers to pay for monies and services provided and to perform on foreign exchange contracts. All material credit exposures require approval by the 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.

For certain clients the Company requires collateral to be posted when their positions are out of the money above a certain tolerance level. The collateral held as at 31 December 2017 was £1,847k (2016: £1,515k).

None of the financial assets were past due nor impaired as at 31 December 2017 (2016: nil).

Credit quality

In the absence of external credit ratings, the credit quality of financial assets that are neither past due nor impaired are assessed by management taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal limits set by the board. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Derivative financial assets

	2017 £000	2016 £000
<i>Counterparties Internal credit rating</i>		
Group 1: 5+	-	552
Group 2: 5	3,624	1,130
Group 3: 5-	-	92
Group 4: 4+	-	86
Group 5: 4	4,268	2,898
Group 6: 4-	-	4,388
Group 7: 3+	-	-
Group 8: 3	478	446
Group 9: 3-	-	26
Group 10: Other*	1,655	337
	<u>10,025</u>	<u>9,955</u>

*Other grouping contains all smaller counterparties where an average credit adjustment has been applied. All internal groupings are deemed recoverable with 5+ deemed customers with the least risk.

Liquidity risk management

The settlement of option contracts and other short term working capital requirements requires adequate liquidity which is generated through intra-day settlement facilities. These facilities are provided through the parent Company. 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.

Market risk sensitivity analysis

All fluctuations in market risk between the Company and the customer are managed through a corresponding movement in the parent Company option arrangements. As such, the profit or loss due to movements in market risks during the period is nil as the Company economically is fully hedged against exposure to market risks.

Moneycorp Financial Risk Management Limited

Notes to the financial statements

For the year ended 31 December 2017

13. Financial Instruments (continued)

Fair value measurements

The information set out below provides information about how the Company determines fair values of various financial assets and financial liabilities.

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

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

13. Financial Instruments (continued)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/17	31/12/16			
£'000					
1) Options: asset and liability	9,815 (10,031)	9,955 (9,929)	Level 2	None	None
2) Options: non-credit/debit adjusted i.e. MTM (excluding CVA and DVA)	10,150 (10,150)	10,094 (10,094)			
3) Foreign currency forward contracts	209 (110)	- -			
4) Unadjusted forwards MTM (excluding CVA and DVA)	209 (115)	- -			

Moneycorp Financial Risk Management Limited

Notes to the financial statements

For the year ended 31 December 2017

13. Financial Instruments (continued)

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

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

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

There were no transfers between Level 2 and 3 in the current or prior year. The Directors consider that the carrying amounts of all other financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their fair values.

Derivative financial assets arise where client positions are out of the money. These receivable balances have a credit valuation adjustment (CVA) applied that is calculated based on an internal assessment of the client credit risk with the amounts being discounted using a rate that reflects the risk of default.

Derivative financial liabilities arise where client positions are in the money. These payable balances have a debit valuation adjustment (DVA) applied. This adjustment reflects the likelihood of the Company defaulting on the balance payable to the client and is based on an estimate of the Company's borrowing costs.

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

The mark to market of the foreign currency options are provided by an external valuation Company.

For certain clients the Company requires collateral to be posted when their positions are out of the money above a certain tolerance level. Where the Company is holding collateral from a client those funds are deducted from the out of the money exposures before the CVA is calculated.

Moneycorp Financial Risk Management Limited
Notes to the financial statements
For the year ended 31 December 2017

13. Financial Instruments (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted cash inflows and outflows of derivative instruments. Brokering derivative contracts, specifically foreign currency forwards and foreign currency options, involves entering back to back contracts with the customer and vendor. The back to back nature of the transactions means that for each trade there is a cash outflow in one currency and a cash inflow in another currency and it is therefore appropriate to present both the cash inflows and outflows. Foreign exchange options are fully back to back and therefore there is no net settlement value.

Assets	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5+ years £000	Total £000
At 31 December 2017					
Foreign exchange options	5,886	3,916	13	-	9,815
Foreign exchange forwards	162	48	-	-	210
	<u>6,048</u>	<u>3,964</u>	<u>13</u>	<u>-</u>	<u>10,025</u>
At 31 December 2016					
Foreign exchange options	6,646	3,309	-	-	9,955
Foreign exchange forwards	-	-	-	-	-
	<u>6,646</u>	<u>3,309</u>	<u>-</u>	<u>-</u>	<u>9,955</u>
Liabilities					
	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	5+ years £000	Total £000
At 31 December 2017					
Foreign exchange options	(6,076)	(4,042)	(14)	-	(10,132)
Foreign exchange forwards	(88)	(21)	-	-	(109)
	<u>(6,164)</u>	<u>(4,063)</u>	<u>(14)</u>	<u>-</u>	<u>(10,241)</u>
At 31 December 2016					
Foreign exchange options	(6,629)	(3,300)	-	-	(9,929)
Foreign exchange forwards	-	-	-	-	-
	<u>(6,629)</u>	<u>(3,300)</u>	<u>-</u>	<u>-</u>	<u>(9,929)</u>

Moneycorp Financial Risk Management Limited

Notes to the financial statements

For the year ended 31 December 2017

Other trade payables and receivables settled/are due are within one year.

14. Related parties

Derivative financial instrument balances between the Company and its related company TTT Moneycorp Ltd are disclosed in note 13 of the financial statements. Balances relating to management charges are disclosed in note 15 to the financial statements. The Company has no other transactions with any related parties.

15. Remuneration of key management personnel

	31 December 2017 £000	31 December 2016 £000
Management charge	3,126	5,097

Management charges are presented within administration expenses. All the Directors of the Company are Directors of TTT Moneycorp Limited (another Group Company). Emoluments are paid by TTT Moneycorp Limited in respect of services of Directors to the Company. The above amounts reflect the amount recharged to the Company and governed by a Services Agreement dated 21 June 2012. No Directors received compensation for loss of office.

16. Contingent liabilities and financial commitments

The Company has no contingent liabilities or financial commitments outside of payables presented on the face of the balance sheet at the reporting date.

17. Ultimate holding Company and control

At the balance sheet date, the Directors consider that the Company's immediate parent and controlling party is Regent Acquisitions Holdings Limited (100% effective holding), incorporated and registered in The Cayman Islands. The ultimate holding Company is Moneta Topco Limited (100% effective holding), a Company incorporated and registered in Jersey, Channel Islands. This Company produces consolidated financial statements and this group represents the largest group that the Company is a subsidiary undertaking for.

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

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

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

18. Subsequent events

There are no subsequent events to disclose between the reporting and date of signing of the financial statements.