



FNZ (UK) Ltd

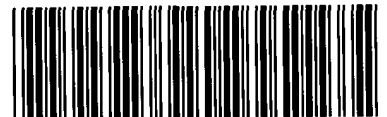
Annual Report and Financial Statements

For the Year Ended 31 December 2021

Company Number: 05435760

---

TUESDAY



\*ABCXVA00\*

A04

20/09/2022

#128

COMPANIES HOUSE

**FNZ (UK) Ltd**  
**Table of Contents**

---

<b>Contents</b>	<b>Page(s)</b>
Company Information	1
Chairman's Statement for the year ended 31 December 2021	2
Strategic Report for the year ended 31 December 2021	3-8
Governance Report for the year ended 31 December 2021	9-12
Directors' Report for the year ended 31 December 2021	13-17
Independent Auditors' Report to the Members of FNZ (UK) Ltd	18-20
Statement of Comprehensive Income for the year ended 31 December 2021	21
Balance Sheet as at 31 December 2021	22
Statement of Changes in Equity for the year ended 31 December 2021	23
Statement of Cash Flows for the year ended 31 December 2021	24
Notes to the Financial Statements for the year ended 31 December 2021	25-50

**FNZ (UK) Ltd**  
**Company Information**

---

**Directors**

Catherine Brown (Non-Executive Director)  
William Dobbin (Non-Executive Director)  
Matthew Ferman  
Susan Harris (Non-Executive Director)  
Andrew Ring  
Gregor Stewart (Non-Executive Chairman)  
John Tomlins (Senior Independent Director)

**Company Secretary**

Christopher Aujard

**Independent Auditors**

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

**Registered Office**

Suite 1, 3<sup>rd</sup> Floor  
11-12 St. James's Square  
London  
England  
SW1Y 4LB

**Company Registration Number**

05435760

**FNZ (UK) Ltd**  
**Chairman's Statement for the year ended 31 December 2021**

---

**Chairman's Statement**

Against the continued social and economic impacts of the pandemic, FNZ (UK) Ltd ('FNZ') continued to successfully grow during 2021 with total assets under administration ("AuA") increasing by 43.5% to £431.4bn (2020: £300.7bn) as at December 2021. Growth in AuA continued to be underpinned by a strong focus on delivering for our clients. During the year we completed two notable migrations onto our platform meaning that more than six million end customers of our corporate clients now receive their service through an FNZ powered platform.

In order to further develop our platform, during 2021 we invested in enhancements designed to accelerate the onboarding of client assets. This represents a significant and exciting progression in how FNZ can onboard and add value to clients.

The sustainability and quality of the Company's earnings improved again in 2021 with recurring service revenues growing by 27% year on year to £100m.

Our Group's mission is to help people achieve their financial goals and this mission encompasses our values:

- End-customer focus;
- Automate first, innovate continuously;
- Passionate about our client's success;
- People are the key;
- Safety first; and
- Sustainability.

An example of our focus on the end-customer and sustainability is our launch of FNZ Impact, an app-based service that supports investors in understanding and mitigating the climate risk inherent in their investments and allowing the construction of their investment portfolio to be aligned to the goals of the Paris Climate Change agreement.

A key theme of 2021 was our continued investment in Automation and Innovation, particularly within our Operations department. This included investment in robotic techniques fully automating over 100 processes and enhancing the scalability of the business. Other investments further developed the operational resilience of our services allowing us to deliver significant growth in AuA and transaction volumes whilst maintaining the quality of client service.

In 2021 we further strengthened the UK Executive Committee and improved the diversity of that leadership team.

We have been shocked and saddened by the war in Ukraine, and in response FNZ is seeking to fast-track employment opportunities for Ukrainian or other nationals who have been displaced by the crisis. As the situation developed, we assessed the impact on FNZ via the firm's stress testing framework, which indicates resilience in the business to ongoing market and economic disruption. In conclusion, we remain satisfied with the robustness of our business model and resources for the foreseeable future.

My thanks to the executive team, the Board and all FNZ colleagues for their focus on delivering for clients in 2021 and to all our strategic platform clients for their ongoing support and collaboration in helping UK consumers achieve their financial goals, despite the turbulent external environment.



.....  
**Gregor Stewart**  
Chairman

**FNZ (UK) Ltd**  
**Strategic Report for the year ended 31 December 2021**

---

**Principal Activities**

The principal activity of FNZ (UK) Ltd ('FNZ' or 'the Company') is the provision of transaction and custody services to financial institutions to support the provision of wealth management services by these institutions to their intermediaries and end customers.

**Financial Review**

The Company continued to grow revenue in 2021, achieving £254.7m (2020: £194.1m), 31.2% higher than 2020. The revenue growth was underpinned by continued growth in AuA which grew by 43.5% to £431.4bn as at December 2021.

Profit after tax ("PAT") increased by 258% to £58m. The PAT margin increased from 8.3% to 22.8%.

The Company continued to invest in enhancing automation of the control and operations (asset servicing) environment, to provide greater scalability from a resilient base. The Group (FNZ Group Limited and its subsidiaries) maintained a strong R&D investment programme to ensure clients and their customers (wealth managers, financial advisers and end customers) benefit from proposition innovation and improved operating efficiency.

**Outlook**

The Company entered 2022 with a number of incremental platform migrations in progress. The completion of these migrations will continue our significant growth in AuA over the medium term. Our increasing scale allows greater continued investment in core product innovation, process automation and operational resilience, which supports our long-term mission of improving consumer engagement with their savings, retirement and wealth management goals, and lowering the cost of access.

**Principal Risks, Financial Risks and Uncertainties**

FNZ Management and the Board of Directors regularly assess the Company's key risks, those that would threaten its business model, future performance, solvency, capital adequacy or liquidity. These key risks relate to operational risks (including data and asset security, change delivery and people), financial risk, market risk, liquidity risk, capital risk, regulatory risk and conduct and consumer harm risks. Each risk is managed against appropriate risk appetite thresholds as part of the broader Risk Management Framework ('RMF').

**Operational Resilience**

FNZ recognises that the important business services it provides are key to FNZ clients and their end customers and are important to the UK financial services market. FNZ supports these clients and end customers and the UK financial services market by managing the risks and vulnerabilities in its own business through the ongoing improvement and development of operational resilience. FNZ have completed a self-assessment against the FCA requirements outlined in Policy Statement PS21/3. Going forward we will continue to develop, enhance and refine Operational Resilience at FNZ. We have established a plan to capture FNZ's regular embedding, maintenance, and review activities. This combines with the existing governance to provide the on-going development and oversight of Operational Resilience for FNZ. This will continue to be influenced by information published by our regulators and industry experts.

The Company has continued to demonstrate strong resilience throughout 2021. While the ongoing pandemic position is unprecedented, FNZ has successfully executed its Business Continuity Plans to maintain the current service offering to clients with minimal impact.

#### **Cyber Risk**

The industry is exposed to cyber criminals and other threat actors who use increasingly sophisticated measures, within a constantly changing landscape, to exploit perceived vulnerabilities. FNZ manages information security in accordance with a tried and tested Information Security Risk Management Framework, supported by a comprehensive and ongoing investment programme in people, capabilities and tools. FNZ regularly tests its resilience against cyber threats via extensive penetration and failover tests using both internal and external expertise.

#### **Change Delivery**

FNZ is primarily exposed to operational risk through failure to deliver change for both new and existing clients in relation to the migration of assets and the servicing of those assets. The Board recognises that to meet the continued growth of FNZ the successful execution of change projects is key. FNZ manages change by ensuring that client and end-customer requirements are met, regulatory obligations are adhered to, and that any growth is managed in a controlled manner through a tried and tested Software Development Lifecycle ('SDLC') delivery control framework.

To facilitate the identification, assessment, monitoring, and reporting of the above operational risks, FNZ has a RMF and governance process in place. This includes the following processes to assist first line management: risk appetite statements and thresholds for the management of risks, a change risk assessment framework to support projects, and an embedded governance structure to support the review, challenge, and approval of projects and associated risks.

#### **People Risk**

The Company considers that there are risks to both talent (acquisition and retention) and employee wellbeing, compounded by current market circumstances. Failure to manage these risks appropriately may negatively impact client and regulatory commitments, productivity and engagement, and ultimately, the servicing of the end-customer. FNZ manages this risk, through competitive remuneration, a wellbeing programme, ongoing training and development and appropriate resource planning, against appropriate risk appetite statements. The Company continues to work on closing the gender pay gap, which is reported separately.

#### **Financial Risk**

Financial risk arises primarily from the uncertainty regarding the timing and the estimation of revenue from implementation projects. Such revenues are reliant on the timing of contract commitments and are based on the stage of completion for each project. The recurring revenue derived from asset servicing has increased through FNZ's successful growth and the reliance on revenues derived from implementation projects that are subject to this type of uncertainty is decreasing.

#### **Market Risk**

FNZ market risk exposure is related to foreign-exchange risk that arises on spot and forward foreign currency positions other than FNZ's functional currency (GBP). FNZ's exposure to foreign exchange risk primarily arises from exposures to Czech foreign exchange derivative contracts linked to the day to day funding requirements of FNZ's business operations in the Czech Republic. Although not a material exposure, FNZ performs monthly gap analyses of its foreign exchange position to ensure risks associated with this are monitored and/or mitigated within acceptable levels of risk appetite. FNZ has a rolling 12-month partial hedging process in place.

#### **Credit Risk**

FNZ has credit risk exposures through on-balance sheet assets such as receivables, contract assets, and cash at banks. FNZ uses the Standardised Approach set out in the UK Counterparty Credit Risk ('CCR') regulations to calculate its credit risk requirement under Pillar 1.

#### **Counterparty Credit Risk**

CCR is the risk that a counterparty for securities financing transactions, both over-the counter (OTC) and centrally cleared derivatives transactions could default before the final settlement of the transactions. FNZ is exposed to

**FNZ (UK) Ltd**  
**Strategic Report for the year ended 31 December 2021 (continued)**

---

CCR through foreign exchange OTC derivative contracts used primarily to hedge future expenses denominated in foreign currencies.

**Liquidity Risk**

Liquidity risk results from the irregular timing of cash receipts associated with client implementations, the short-term impact of certain operating expenses and counterparty risk. FNZ management continuously monitors cash-flow and liquidity projections via a treasury management function. FNZ has an established Liquidity Risk Management Framework ('LRMF') to identify, measure, monitor, manage and report its liquidity risks and to demonstrate the effectiveness of its liquidity risk management.

**Capital Risk**

Capital risk exposure arises when FNZ has insufficient capital resources to support its strategic objectives and plans, and to meet regulatory requirements and expectations. This could arise due to a depletion in capital resources as a result of the crystallisation of any of the risks to which it is exposed. FNZ has a capital management framework that includes the setting of a capital risk appetite which is monitored on a continued basis.

**Regulatory Risk**

Regulatory risk relates to compliance with Financial Conduct Authority ('FCA') rules. FNZ has invested in building appropriate frameworks, tools and specialist compliance skills. All staff are provided with regulatory training by the Risk and Compliance department. Regulatory risk in relation to compliance with the FCA's capital and liquidity requirements is managed through a comprehensive framework of policies and a robust programme of assessment with senior management and Board oversight.

**Conduct and Consumer Harm**

Given their importance, the Board track a range of measures to assess our potential exposure to Conduct and Consumer Harm risks to our clients and their customers. To ensure an appropriate focus on both conduct risk and consumer harm, management have a Customer Committee which meets regularly to assess and oversee a detailed set of performance and key risk indicators.

**Business Risk**

Business risk includes strategic risk, propositional risk and Group risk.

FNZ has rapidly expanded through organic growth and client migrations. To execute its strategy, further migration opportunities are likely to be considered in the medium term to expand FNZ's AuA. The failure to support client AuA growth or effectively manage client migrations poses a risk to the firms' strategic objectives. To address this risk, FNZ works closely with its clients to support their own strategic objectives and has in place a robust client migration process and operational capabilities.

FNZ recognises that there is an inherent degree of competition in the financial technology sector and that its competitors may impact FNZ's ability to execute its stated business objectives and strategy, this includes the potential loss of FNZ's technological advantage to a competitor. FNZ manages the risk of technology obsolescence through constant investment in innovation, supported by an in-house product team. In addition to this, FNZ will partner with other technology companies, where appropriate.

Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group (e.g. reputational contagion). Financially, FNZ is exposed to other group entities through cross-guarantees. This is mitigated by FNZ Group Limited who has provided the Company with a letter of support guaranteeing financial assistance to the full extent of its resources for a 12-month period from the date of signing of its accounts. In addition, where significant services are provided between FNZ group companies, these are done on an arm's length basis, supported by formal intercompany contracts.

**FNZ (UK) Ltd**  
**Strategic Report for the year ended 31 December 2021 (continued)**

---

Business risk also encompasses the exposure to uncertainty in the wider economic and competitive environment and the impact of that environment on FNZ's ability to execute its stated business objectives and strategy. This risk is managed with strategic focus, assisted by appropriate senior management oversight and a strong corporate governance framework including a documented risk strategy and associated appetite statement.

Business risk also arises from the effects of the ongoing COVID pandemic, economic uncertainties and geopolitical shifts. FNZ has successfully operated throughout the COVID pandemic either through full home or hybrid working. More recently due to the events in Ukraine we have seen macro-economic environment impacts and an ongoing level of uncertainty is likely to remain for the duration of the conflict. Whilst FNZ are not directly impacted by the conflict we are monitoring the wider economic impacts closely and ensuring we can support our clients and their end customers as required.

#### **Climate Change**

FNZ's climate-related risks fall within two categories:

- **Organisational** - the two main areas of energy usage are data centres and travel. Activities to reduce FNZ's footprint include powering its data centres with renewable energy and utilising cloud-based technology infrastructures where appropriate and maintaining a reduced travel footprint.
- **Propositional** - remaining at the forefront of developing and implementing tools and solutions to support climate resilient products and services.

In line with the expectations of FNZ's clients who are increasingly making net zero pledges, FNZ will continue to deploy its technology solutions to help them deliver on these net-zero pledges through appropriate reporting, reduction and mitigation solutions. FNZ Impact, a platform feature, supports investors in understanding and mitigating the climate risk inherent in their investments and aligning to the goals of the Paris agreement.

#### **Section 172(1) Statement**

Section 172(1) of the Companies Act 2006 requires each director to act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefits of its members as a whole. The Directors in doing so, have regard to the likely consequences of any decision in the long-term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers; customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the Company.

The Board considers the consequences of their decisions in the long term and is guided by the five-year strategic plan alongside the Company's RMF and risk appetite to achieve long term sustainable success whilst maintaining high standards of business conduct. For each matter that comes to the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the decision-making process.

The Company considers its key stakeholders to be the following:

#### **Shareholders**

The Company is a wholly owned subsidiary of FNZ Group Entities Ltd (formerly Kiwi UK Holdco 2, Ltd) and the ultimate controlling party is FNZ Group Limited (formerly Kiwi Holdco CayCo, Ltd) ('Group Company'). The Board ensures that matters are communicated and referred to the respective shareholder and Group Company where appropriate. Further information on Group shareholders can be found in the Ownerships and Group Structure section of the Directors' Report.

**FNZ (UK) Ltd**  
**Strategic Report for the year ended 31 December 2021 (continued)**

---

**Employees**

The Board champions the view that employees are fundamental to the long-term success of the Company. Employees receive regular updates on the financial and economic factors affecting the performance of the Company and Group via a number of channels, including directly from senior management and video messages which facilitate a systematic flow of information on matters which directly impact the Company's employees. In online, live forums, employees are encouraged to ask questions and help shape the future communications they receive.

Due to the ongoing Global pandemic, employee wellbeing, health and safety has received enhanced focus from the Board throughout the year. Staff surveys have been undertaken to ensure that every employee has the right home equipment to be able to carry out their role effectively and comfortably and also to gauge emotional and mental wellbeing. A number of wellbeing initiatives have been offered during the year including meditation, online yoga classes, mindfulness tutorials and support for managers.

Physical offices have reopened to a reduced occupancy level ensuring all appropriate COVID safety measures are implemented. Hybrid, home and office working have been encouraged to ensure the benefits of direct collaboration and reinforce culture.

The continued expansion of the Company's Diversity and Inclusion ('D&I') programme constitutes a core development for FNZ. Through the D&I programme, a series of developments have taken place, including the establishment of regional D&I working groups, the signing of selected appropriate pledges and a move towards diverse shortlisting and gender balanced interview panels. These initiatives are intended to drive the D&I agenda as the Company embarks on a multi-year journey in this area. FNZ maintain statistics, has set goals, and implemented a Diversity and Equality Policy to provide context for its activities. Data is gathered on female representation in relation to Board representation, senior leadership and as a percentage of overall employees, and the senior leadership team participate in unconscious bias training. We have launched the Inclusive Women's Network to convene and support women across the firm at all levels.

Employees who joined FNZ during the year continued to be successfully onboarded with the necessary changes to facilitate a remote environment along-side physical office capability. These included individuals hired directly but also a significant number who were TUPE (Transfer of Undertakings (Protection of Employment)) transferred to FNZ as a result of client migrations. Feedback from new hires has indicated a positive experience of joining FNZ even during another difficult year. Regretted attrition fell during the year due to improvements made within the business along with a slower resourcing market due to the pandemic, however it increased towards the end of the year in reaction to the buoyant labour market. No employees were placed on furlough.

**Customers**

As part of the annual review of the five-year strategic plan, the Directors consider all stakeholders. In particular recognising that sustainable growth requires long term trusted partnerships with clients. These are only possible if the firm maintains high standards of business conduct at all times.

The Customer Committee meets on a monthly basis and reports regularly to the Board. Its focus continues to be improving customer outcomes by continually enhancing service standards, products and business relationships with clients and end customers.

The Company places critical importance on the safeguarding of clients and their retail customers assets. The Board continued to strengthen its control environment, including RMF and governance framework during the year.

**Suppliers**

During the pandemic, the Company's critical suppliers were engaged to understand their business continuity status and advice was offered where appropriate.

The Company is reliant upon suppliers for a number of key services and in accordance with the Company's strategic risk framework, suppliers are selected after careful consideration in line with the Company's procurement policy.

**Regulators**

During the year the Company continued to focus on maintaining compliance with regulatory requirements. The Company supports the conduct requirements and expectations of the regulator in relation to the Company to contribute to delivering positive end-customer outcomes and avoiding customer harm. The Company remains committed to an open relationship with the regulator on all matters.

**Community and the Environment**

FNZ aims to continually drive improvement in its business and services across a multi-year journey to achieve a net-positive impact on the environment, society, and its people. FNZ is fully committed to making a positive social impact on the communities in which it operates by developing innovative solutions that lower costs and risk for the asset management industry and retail investors and supporting their transition to net zero. Through innovative propositions such as FNZ Impact, launched to the market in 2021, retail investors are informed of the sustainability impact on their long-term savings from the perspective of their personal values, ultimately catalysing the shift to more sustainable capital allocations at scale.

The Group has launched an independent charitable foundation, the FNZ Foundation, and provided corporate support to the NSPCC, as well as a spectrum of charitable causes in the communities in which it operates, as well as those which are important to colleagues.

Approved by the Board on 26 April 2022 and signed on its behalf by:



.....  
**Matthew Ferman**  
Director

### **Corporate Governance Statement**

As a privately owned, non-listed company, the Company is not required to comply with the UK Corporate Governance Code (the 'Code'). The Board, however, continues to give careful consideration to the principles of corporate governance as set out in the Code and, having regard to its regulated status, remains committed both to maintaining high standards of corporate governance and complying with the Code so far as it is practicable and appropriate for a company of its size and nature.

### **Board of Directors**

The Board is comprised of the Non-Executive Chairman, the Senior Independent Director, three further Non-Executive Directors and two Executive Directors. The Board has considered the independence of its Non-Executive Chairman and of its Non-Executive Directors and has concluded that all are independent. The Company does not require its Directors to retire and submit themselves for re-election. Any changes to the Board composition or structure are considered by the Nominations Committee. A review of the effectiveness of the Board is carried out annually.

The Board is required to meet at least ten times per year and there is a schedule of formal matters specifically reserved for the Board's consideration. The Board programme is designed so that Directors have a regular opportunity to consider the Company's strategy, operations, risks, policies, financial plans, customer outcomes, technology, financial results, liquidity, capital and regulatory requirements in order for the Board to arrive at a balanced assessment of the Company's position and prospects. Strategic developments (including consideration of new contracts and propositions), operational performance, financial performance, risk management, customer outcomes and regulatory compliance are considered at each Board meeting. The Board regularly invites internal subject matter experts to the Board meetings in order for them to provide additional insight into their specialist areas.

The Company has a clear division of responsibility between the roles of the Chairman and the Chief Executive Officer. The Non-Executive Chairman has a responsibility to ensure that the strategies and policies proposed by the Executive Directors are fully discussed and critically examined, not only with regard to the best long-term interests of the shareholders, but also with regard to the Company's relationships with the regulator, its employees, clients, suppliers and other stakeholders.

Day to day management of the business is delegated to the Company's Senior Executives, who the Board relies upon for the provision of accurate, complete and timely information and the Directors may seek further information where necessary.

### **Board Committees**

The Board has delegated certain responsibilities to the Board Risk and Compliance Committee ('BRCC'), the Audit Committee, the Remuneration Committee and the Nominations Committee. These Committees have written Terms of Reference which define their authorities, duties and membership.

### **Internal Control and Risk Management**

The Directors formally acknowledge their responsibility for establishing effective internal control within the Company. The Board has put in place a system of internal controls, set within the framework of a clearly defined organisational structure, with well understood lines of responsibility, delegation of authority, accountability, policies and procedures, which is supported by training, monitoring, reporting and review procedures.

A strategic plan (including a five-year financial plan) and an annual operating budget are prepared by management and challenged and agreed by the Board. Monthly reporting and analysis against budget and revised forecasts are reported formally to and challenged by the Board.

### Internal Control and Risk Management (continued)

The Board approved RMF provides a structure for managing FNZ's enterprise-wide risks. It sets out the processes, methods and supporting frameworks used by FNZ to manage the risks associated with its business model and strategy, setting out the roles and responsibilities within the framework and associated governance for managing and reporting on risks within the business

Responsibility for embedding the RMF within the UK Business sits with the UK Board, its sub committees and management teams. They attest annually to the Group Board as to the effectiveness and embeddedness of the framework in their businesses.

#### Risk Appetite Framework

Risk Appetite is an expression of the level of risk that FNZ is willing to take to execute its strategy. Risk Appetite is articulated through Risk Appetite Statements, which define the level of risk FNZ is willing to avoid, accept or seek to meet its strategic and business objectives for each risk type defined in the risk taxonomy. Risk appetite is aligned to the key risks and includes both quantitative and qualitative statements, with measures and limits on the amount of risk FNZ is willing to take. They are supported by Key Risk Measures including Key Risk Indicators ('KRIs').

#### FNZ Risk Culture

A strong risk culture enables effective risk management and supports the successful delivery of FNZ's strategy. Culture is delivered through tone from the top, leadership displaying the right values, strong and effective governance, remuneration incentivising good behaviours and consequences for poor behaviour, training staff and communicating and reinforcing key messages constantly. At FNZ, the risk culture reflects the Firm's scale and complexity and:

- Aligns to the objectives of FNZ and the needs of FNZ stakeholders and focused on end customer outcomes.
- Promotes a holistic understanding of risk and is embedded in the ongoing processes for strategic and operational decision making, through risk-focused processes and methods.
- Considers FNZ impacts on environment and local communities.

As part of embedding a strong risk culture, FNZ has a risk management objective for all staff within the FNZ performance management process.

#### Risk Reporting

A calendar of events for the UK Board and the BRCC is created and maintained throughout the year to ensure that the responsibilities of the Board and Committee are fulfilled. It acts as a tool each month in preparing and setting of agendas.

FNZ is committed to firm-wide governance and a risk management framework that is appropriate to the nature, scale, and complexity of the business. Under the 'Three Lines of Defence' model, the Board has ultimate responsibility for managing and controlling risk within FNZ's stated risk appetite.

**First Line Management: Risk Ownership** The business functions own risks. First line management have the primary responsibility for managing risks on a day-to-day basis and operating an effective suite of internal controls which include any incremental new deals with existing clients and new clients. The First Line identifies, assesses, controls, and mitigates risks, guiding the development and implementation of internal policies and procedures and ensuring that activities are consistent with goals and objectives. They are responsible for implementing corrective actions to address process and control deficiencies.

**Second line: Risk Oversight** The specialist functions, such as Risk and Compliance, are independent of the First Line and provide guidance, oversight and challenge to the business in relation to risk management. They are responsible for setting risk management policies, developing risk management frameworks, and facilitating and monitoring the implementation of effective risk management practices by management.

**Third Line: Independent Assurance** Internal Audit provides the Board and senior management with comprehensive assurance based on a high level of independence and objectivity within the Company. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the way the first and second lines achieve risk management and control objectives.

#### **Audit Committee**

The Audit Committee comprises a Non-Executive Chairman and two further Non-Executive Directors, each with relevant financial and commercial experience and one of whom is the Chair of the BRCC. The Chief Executive Officer ('CEO'), Chief Finance Officer ('CFO'), Chief Risk Officer ('CRO'), Group General Counsel and the Global Head of Internal Audit attend all meetings by invitation and provide advice where appropriate. The external auditors attend all Audit Committee meetings.

The Audit Committee's principal oversight objectives are financial control and reporting, internal audit activities and external audit. The responsibilities encompass:

- Approval and oversight of the Internal Audit Plan, which examines and evaluates the adequacy and effectiveness of the Company's systems and internal controls;
- Reviewing recommendations and audit reports resulting from the audit plan and monitoring compliance with those recommendations;
- Accounting procedures and financial controls;
- Integrity of the financial statements and of any information published by the Company relating to its financial performance, including the annual report and recommending the Annual Report and Accounts to the Board;
- Financial and accounting policies and the key financial estimates and judgements employed;
- The results and the effectiveness of the Company's external audit; and
- Regulatory returns.

The Audit Committee is responsible for assessing the independence and recommending the appointment, removal and remuneration of the external auditors to the Board for approval. It is responsible for monitoring the provision of non-audit services to the Company.

#### **Board Risk and Compliance Committee**

The BRCC comprises a Non-Executive Chairman and three further Non-Executive Directors one of whom is the Chair of the Audit Committee. The CEO, CFO, CRO, Chief Compliance Officer ('CCO') and the Global Head of Internal Audit attend all meetings by invitation and provide advice where appropriate.

The primary purpose of the BRCC is the oversight of risk management and regulatory compliance across the Company. The responsibilities of the BRCC include reviewing and approving or where appropriate recommending to the board for approval:

- Risk management strategy, framework, policies and measurement systems;
- Overall approach to risk appetite and monitoring of specific risk appetite statements;
- Risk Identification: identification of key risks, including project related and emerging risks facing the business
- The framework for achieving regulatory compliance; and
- The Business continuity plan.
- Capital and Liquidity Plan

**Board Risk and Compliance Committee (continued)**

Both the Audit Committee and the BRCC are conscious that there are certain matters that could be considered by both Committees but ongoing dialogue between the Chairs and the relevant Executives ensure that there are no duplications or omissions.

**Remuneration Committee**

The Remuneration Committee comprises a Non-Executive Chairman and two further Non-Executive Directors. Other attendees may include the CEO, Chief Human Resources Officer, CRO and Group General Counsel as appropriate.

The Remuneration Committee is responsible for oversight of the Company's remuneration policy. It is responsible for ensuring that the Company has a transparent, risk focused remuneration strategy that enables the Company to procure the levels of skill necessary to achieve its strategic objectives effectively and that it meets the Financial Conduct Authority's remuneration code requirements for a 'Tier Three Firm'. The Committee is also responsible for overseeing the Senior Managers and Certification Regime ('SMCR').

**Nominations Committee**

The Nominations Committee is chaired by the Company's Non-Executive Chairman and includes four Non-Executive Directors. Other attendees may include the CEO, Chief Human Resources Officer, CRO and Group General Counsel as appropriate

The principal objective of the Nominations Committee is to review and to make recommendations to the Board in relation to the:

- Size, structure and composition of the Board and the Company's governing bodies;
- Nomination of individuals to the Company's Board and governing bodies;
- Appointment of all senior personnel including the description of the role and capabilities required for particular appointments;
- Board diversity; and
- Succession planning.

**FNZ (UK) Ltd**  
**Directors' Report for the year ended 31 December 2021**

---

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2021.

**Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Catherine Brown  
William Dobbin  
Adrian Durham (resigned 26 November 2021)  
Matthew Ferman  
Susan Harris  
Kristopher Love (resigned 26 November 2021)  
Andrew Ring (appointed 26 November 2021)  
Gregor Stewart  
John Tomlins

**Ownership and Structure**

The Company is a wholly owned subsidiary of FNZ Group Entities Ltd (formerly Kiwi UK Holdco 2, Ltd) (a Jersey registered Company). The ultimate parent company is Falcon Newco Limited (an exempted limited company incorporated under the laws of the Cayman Islands). The ultimate controlling party is FNZ Group Limited (formerly Kiwi Holdco CayCo, Ltd (a Jersey registered Company)) and the Company is a member of the Group.

The Company has five wholly owned, dormant subsidiaries:

- FNZ (UK) Nominees Limited
- FNZ Wealth Nominees Limited
- FNZ Wealth Nominees EUR Limited
- FNZ Wealth Nominees USD Limited
- FNZ Wealth Gross Nominees Limited

The Company has branches located in Czech Republic, Ireland, Italy and Switzerland. On 31 December 2020, the staff and assets and relevant client contracts from the branches in Italy and Switzerland were transferred to branches of FNZ Europe DAC (a Designated Activity Company, incorporated in the Republic of Ireland), another Company in the Group. The UK branch in Switzerland is in the process of being closed.

**Shareholder Relations**

The Company does not hold any specific meetings with its shareholders since it is a wholly owned subsidiary within the Group. Representatives from each of the Group's major shareholders are Directors of the Group Board and receive regular updates. The Non-Executive Chairman is also a Non-Executive Director of FNZ Group Limited (formerly Kiwi Holdco CayCo, Ltd).

**Results and Dividends**

The audited financial statements and related notes for the year ended 31 December 2021 are set out on pages 21 to 50. The financial results for the year are summarised overleaf:

**FNZ (UK) Ltd**  
**Directors' Report for the year ended 31 December 2021 (continued)**

	2021	2020
	£'000	£'000
Revenue	254,672	194,120
Profit for the year after tax	57,994	16,179

In respect of the year ended 31 December 2021, the Directors recommended that no dividend be paid (2020: £nil).

Total comprehensive income for the year attributable to the equity holders	57,965	15,894
----------------------------------------------------------------------------	--------	--------

#### Share Issue

There were no shares issued in the period.

#### Bank Facilities

On 24 December 2019 the Company entered into a £10m revolving credit facility ('RCF'). This facility was a re-designation of the Group's existing RCF. This facility allows the Company to utilise bank loans for periods of one month to six months up to a maximum value of £10m. Further detail is available in Note 19 to the financial statements.

#### Post Balance Sheet Events

In February 2022 Russia invaded Ukraine which has resulted in global unrest and subsequently had an adverse impact on global financial markets. The Company's exposure to both locations is remote with no operational activity in either country. FNZ has performed a detailed risk assessment and does not anticipate a material impact upon its financial performance. FNZ continues to monitor the situation via a specific crisis management team, set up in response to the conflict.

#### Financial Resources

Effective 1 January 2022 FNZ falls under the new MIFIDPRU prudential rulebook and is subject to the ICARA (Internal Capital Adequacy and Risk Assessment process) prudential requirements. This notwithstanding, for the year ended 31 December 2021 FNZ was subject to the FCA UK CRR and IFPRU prudential rulebooks.

FNZ is authorised and regulated by the FCA as at the year ended 31 December 2021, as an IFPRU limited licence Firm and also a 'significant' IFPRU Firm according to the definition in IFPRU 1.2. The Company is subject to the capital adequacy requirements set by the UK Capital Requirement Regulation (UK CRR), and the FCA Prudential Sourcebook for Investment Firms (IFPRU) rulebook. These regulations established a framework for regulatory capital assessment and management, consisting of three pillars, as follows:

- **Pillar 1** – sets an initial capital requirement calculated as the higher of the Fixed Overhead Requirement (FOR), or the sum of the credit risk and market risk capital requirements, or the base capital requirement (€125k). The FOR is set as 25% of the fixed overheads of the previous financial year based on the most recent audited financial statements;
- **Pillar 2** – requires the Firm to assess whether it needs to hold additional capital against firm-specific risks not covered or not sufficiently covered under Pillar 1; and
- **Pillar 3** – requires the Firm to disclose information regarding its risk management and policies, and its own funds and additional capital requirements if any.

**FNZ (UK) Ltd**  
**Directors' Report for the year ended 31 December 2021 (continued)**

**Financial Resources (continued)**

FNZ is a non-ILAS (Individual Liquidity Adequacy Standards) firm subject to the liquidity rules and standards in chapter 12 of the Prudential sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') and the Firm is required to comply with the overall liquidity adequacy rule. The Firm has a liquidity risk management framework that sets out how liquidity risk is identified, measured, monitored, and managed, and how liquidity risk exposure is quantified leading to the amount of liquidity resources the Firm has available at all times. FNZ's quantification of adequate liquid resources (in terms of both amount and quality) is determined by liquidity risk drivers that consider the nature and level of the liquidity risks to which FNZ is (or might be) exposed, to ensure that there is no significant risk that its liabilities cannot be met as they fall due, even under stressed circumstances. The liquidity risk management framework also sets out how the Firm would deal with a liquidity risk event and the actions the Firm would take to manage its liquidity and cash flows.

The Directors operate a strategy that is designed to ensure that the Firm maintains levels of financial resources (capital and liquidity) that are adequate for the risks it faces. FNZ management and the Board regularly monitor the financial resources adequacy position. The Firm prepared an Internal Capital Adequacy Assessment Process ('ICAAP') document that assesses the risk-based amount of financial resources that the Firm is required to hold. The ICAAP itself is a process that encompasses the Firm's financial resources risk management frameworks and is characterised by a forward-looking exercise that includes stress testing and scenario analysis to determine the impact of its major prudential risks.

**Emissions and Energy Consumption**

The approach used for the assessment of the Company's Greenhouse Gas emissions follows the methodology set out by the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition). The Company uses an annual turnover (£m) intensity metric to allow meaningful comparison in subsequent years.

Scope	Organisation emissions (tCO <sub>2</sub> e)		tCO <sub>2</sub> e/£ million revenue		tCO <sub>2</sub> e/FTE	
	2021	2020	2021	2020	2021	2020
Scope 1	47.778	66.901	0.201	0.347	0.029	0.085
Scope 2	145.567	55.399	0.612	0.287	0.089	0.071
Scope 3	715.223	516.810	3.005	2.682	0.439	0.659
All Scopes	908.568	639.110	3.818	3.317	0.557	0.815

Streamlined Energy and Carbon Reporting ('SECR')	kWh 2021	kWh 2020
	685,570	498,234

Overall consumption has increased due to i) several transactions involving the addition of new office space and associated energy consumption in 2021 and ii) increased travel post-pandemic. Intensity figures either reflect a small increase or in some cases, have decreased (carbon footprint per full time employee).

Energy Efficiency improvements during the year include:

- Since the global pandemic the Company has sought to encourage train travel over short haul flights and online meeting facilities continue to be widely used.
- Initiating the transition of technological architecture to the Cloud, removing the necessity to store and process information in local networks and move towards outsourcing these tasks to centralised facilities.

### Going Concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic and Directors' Reports.

As part of its normal business practice the Company prepares annual and longer-term plans. The Directors have reviewed the Company's financial position, its forecasts, its cash-flows, liquidity, capital, operational resilience and its borrowing facilities. The Directors have considered the impact of various severe but plausible scenarios, as well as a reverse stress test. These scenarios include severe market downturn, cyber security breach, and other idiosyncratic events. The Directors do not anticipate requiring any financial support from FNZ Group Limited (formerly Kiwi Holdco CayCo, Ltd), the ultimate controlling party nevertheless it has confirmed to the Directors that, through its existing financial resources, it will provide support to the Company, should it be required, for a period of twelve months from 26 April 2022.

Having performed the Going Concern review, the Directors are satisfied that the Company has access to sufficient resources to meet its liabilities for the foreseeable future and therefore the Directors have confirmed that the financial statements should be prepared on a going concern basis.

### Directors' Interests

None of the Company's directors have a direct interest in the Company. All directors have direct and/or indirect interests in the Company's ultimate controlling party FNZ Group Limited (formerly Kiwi Holdco CayCo, Ltd). The value of the investments held by the Company's Non-Executive Directors are not considered sufficiently material to affect their independence.

### Directors' Indemnities

The directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined in Section 234 of the Companies Act 2006.

### Pension Scheme

The Company operates a defined contribution pension scheme in which all employees are eligible to participate.

### Donations

No political donations were made during the year (2020: £nil).

### Other Disclosures

Information relating to the following statutory disclosures can be found in the Strategic Report:

- Future Developments
- Research and Development
- Financial Risk Management
- Employee Information
- Statement of Engagement with Employees and other Stakeholders

**FNZ (UK) Ltd**  
**Directors' Report for the year ended 31 December 2021 (continued)**

---

**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 UK-adopted international accounting standards.

Under company law, 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 UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 also 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 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.

**Independent Auditors and Disclosure of Information to Independent Auditors**

To the knowledge and belief of each of the persons who are Directors at the time the report is approved:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that ought to have been taken in their duty as Director in order to make themselves aware of any audit information and to establish that the Company's auditors are aware of that information.

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and it is the intention of the directors to reappoint the auditors under the deemed appointment rules of Section 487 of the Companies Act 2006.

The Board of Directors authorised these financial statements for issue on 26 April 2022.

Approved by the Board and signed on its behalf by:



**Andrew Ring**  
Director

## Report on the audit of the financial statements

### Opinion

In our opinion, FNZ (UK) Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

### Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

**FNZ (UK) Ltd**  
**Independent Auditors' Report to the Members of FNZ (UK) Ltd (continued)**

---

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

**Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

**Responsibilities of the directors for the financial statements**

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

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

**Auditors' responsibilities for the audit of the financial statements**

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

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the higher level of judgment involved in determining the stage of completion and eventual outcome of each implementation contract and posting inappropriate journal entries to revenue or expenses. Audit procedures performed by the engagement team included:

**FNZ (UK) Ltd**  
**Independent Auditors' Report to the Members of FNZ (UK) Ltd (continued)**

---

- Enquiries with management, internal legal counsel, and individuals outside the finance function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes including those of the Board and the Audit Committee;
- Designing audit procedures that incorporated unpredictability around the nature, timing or extent of our testing to material and immaterial financial statement line items;
- Identifying and testing journal entries, focusing on those determined by us as displaying higher fraud risk characteristics, such as, but not limited to, unusual account combinations; entries with descriptions containing key unexpected words, and review for entries posted by unexpected users; and
- Reading key correspondence with, reports to, and making enquiries of meetings with the Financial Conduct Authority in relation to compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

**Use of this report**

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

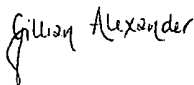
**Other required reporting**

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Gillian Alexander (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
26 April 2022

**FNZ (UK) Ltd**  
**Statement of Comprehensive Income for the year ended 31 December 2021**

	Note	2021 £'000	2020 £'000
<b>Revenue</b>			
Revenue from contracts with clients	4	233,618	178,567
Other operating income	4	21,054	15,553
		<u>254,672</u>	<u>194,120</u>
Operating expenses	6	(206,128)	(174,883)
Net impairment losses on contract assets	5	(9,455)	-
Other operating gains	18	99	633
		<u>39,188</u>	<u>19,870</u>
<b>Operating profit</b>			
Fair value remeasurement of value share	8	20,000	-
Finance income	9	1,010	1,247
Finance costs	9	(4,390)	(3,682)
		<u>55,808</u>	<u>17,435</u>
<b>Profit before taxation</b>			
Income tax credit/(expense)	10	2,186	(1,256)
		<u>57,994</u>	<u>16,179</u>
<b>Profit for the year</b>			
<b>Other comprehensive expense – items that may be reclassified to profit or loss</b>			
Currency translation differences on foreign branches		(29)	(285)
		<u>(29)</u>	<u>(285)</u>
<b>Total other comprehensive expense for the year</b>			
<b>Total comprehensive income for the year attributable to the equity holder</b>			
		<u>57,965</u>	<u>15,894</u>

There are no items of other comprehensive (expense)/income which have not already been presented in arriving at the total comprehensive income for the year.

The notes on pages 25 to 50 form part of these financial statements.

**FNZ (UK) Ltd**  
**Balance Sheet as at 31 December 2021**

	Note	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Property, plant and equipment	14	45,225	31,888
Intangible assets	15	580	1,408
Deferred tax asset	13	296	217
<b>Total non-current assets</b>		<b>46,101</b>	<b>33,513</b>
<b>Current assets</b>			
Cash and cash equivalents	11	67,277	50,247
Trade and other receivables	12	24,651	29,495
Derivative financial instruments	18	58	-
Contract assets	5	216,487	138,584
Current tax asset		2,923	-
<b>Total current assets</b>		<b>311,396</b>	<b>218,326</b>
<b>Total assets</b>		<b>357,497</b>	<b>251,839</b>
<b>Current liabilities</b>			
Trade and other payables	17	54,934	32,001
Contract liabilities	5	386	622
Current tax liability		-	289
Lease liabilities	23	9,539	6,838
Derivative financial instruments	18	-	41
Borrowings	19	14,325	10,000
<b>Total current liabilities</b>		<b>79,184</b>	<b>49,791</b>
<b>Non-current liabilities</b>			
Lease liabilities	23	47,058	29,903
Trade and other payables	17	3,668	2,508
<b>Total non-current liabilities</b>		<b>50,726</b>	<b>32,411</b>
<b>Total liabilities</b>		<b>129,910</b>	<b>82,202</b>
<b>Equity</b>			
Share capital	20	25,890	25,890
Share premium	20	4,243	4,243
Retained earnings		198,888	140,909
Foreign currency translation reserve		(1,434)	(1,405)
<b>Total equity</b>		<b>227,587</b>	<b>169,637</b>
<b>Total equity and liabilities</b>		<b>357,497</b>	<b>251,839</b>

The financial statements on pages 21 to 50 were approved by the Board of Directors on 26 April 2022 and signed on its behalf by:



\_\_\_\_\_  
**Andrew Ring**  
**Director**

Company registration number: 05435760

The notes on pages 25 to 50 form part of these financial statements.

**FNZ (UK) Ltd**  
**Statement of Changes in Equity for the year ended 31 December 2021**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Total equity £'000
Balance at 1 January 2020	17,890	4,243	124,359	(1,120)	145,372
Issue of shares in the year	8,000	-	-	-	8,000
Profit for the year	-	-	16,179	-	16,179
Share-based compensation plan - value of employee services	-	-	371	-	371
Other comprehensive expense for the year	-	-	-	(285)	(285)
<b>Balance at 31 December 2020</b>	<b>25,890</b>	<b>4,243</b>	<b>140,909</b>	<b>(1,405)</b>	<b>169,637</b>
Profit for the year	-	-	57,994	-	57,994
Share-based compensation plan - value of employee services	-	-	(15)	-	(15)
Other comprehensive expense for the year	-	-	-	(29)	(29)
<b>Balance at 31 December 2021</b>	<b>25,890</b>	<b>4,243</b>	<b>198,888</b>	<b>(1,434)</b>	<b>227,587</b>

The notes on pages 25 to 50 form part of these financial statements.

**FNZ (UK) Ltd**  
**Statement of Cash Flows for the year ended 31 December 2021**

	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>		
Profit before taxation	55,808	17,435
<i>Adjustments for:</i>		
Interest income	(1,010)	(1,247)
Interest expense	4,390	3,682
Depreciation and amortisation	9,946	8,896
Share based payment (credit)/expense	(15)	371
Operating profit before working capital changes	<u>69,119</u>	<u>29,137</u>
<i>Adjustments for:</i>		
(Increase)/decrease in trade and other receivables	1,702	(3,641)
Increase in contract assets	(77,903)	(43,438)
Increase in prepayments and other debtors	(3,395)	(940)
Increase in trade and other payables	11,777	15,397
Increase/(decrease) in contract liabilities	(236)	127
Net intercompany inflows	18,689	33,759
Operating cash inflow after working capital changes	<u>19,753</u>	<u>30,401</u>
Taxation paid	(1,105)	(1,705)
<b>Net cash generated from operating activities</b>	<u>18,648</u>	<u>28,696</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(982)	(1,426)
Additions to intangible assets	-	(658)
<b>Net cash generated used in investing activities</b>	<u>(982)</u>	<u>(2,084)</u>
<b>Cash flows from financing activities</b>		
Issue of share capital	-	8,000
Drawdown from bank loan facility	4,325	10,000
Interest received	-	44
Interest paid	(878)	(506)
Cash incentive received on entering property lease	7,000	-
Lease payments	(11,054)	(8,783)
<b>Net cash (used in)/generated from financing activities</b>	<u>(607)</u>	<u>8,755</u>
Impact of foreign exchange	(29)	(285)
<b>Net increase in cash and cash equivalents</b>	<u>17,030</u>	<u>35,082</u>
Cash and equivalents at 1 January	50,247	15,165
<b>Cash and equivalents at 31 December</b>	<u>67,277</u>	<u>50,247</u>
<b>Represented by:</b>		
Cash	67,277	50,247
	<u>67,277</u>	<u>50,247</u>

The notes on pages 25 to 50 form part of these financial statements.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021**

---

**1. General information**

FNZ (UK) Ltd's ('FNZ' or the 'Company') principal activity is to work with major financial institutions to provide a set of core, outsourced technology and asset administration services that span the entire wealth management value chain. The Company is incorporated and domiciled in the United Kingdom with the registered address Suite 1, 3rd Floor 11-12 St. James's Square, London SW1Y 4LB and company number 05435760. The Company is regulated by the Financial Conduct Authority ('FCA') in the United Kingdom (registration number: 438687). The Company has branches located in Czech Republic, Ireland, Italy and Switzerland. The UK branches in Italy and Switzerland are in the process of being closed.

The ultimate parent company is Falcon Newco Limited (an exempted limited company incorporated under the laws of the Cayman Islands). The ultimate controlling party is FNZ Group Limited (formerly Kiwi Holdco CayCo, Ltd (a Jersey registered Company)) and the Company is a member of the FNZ Group Limited (formerly Kiwi Holdco CayCo, Ltd group) ('the Group').

**2. Statement of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Basis of preparation**

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on the historical cost basis, except for the fair valuation of the derivative financial instruments.

**(b) Exemption from consolidation**

Non-statutory consolidated financial statements are prepared for FNZ Group Limited. Consolidated financial statements are not prepared for the Company as a consolidation exemption has been taken under section 405 of the Companies Act due to the only subsidiaries being dormant companies which are not considered to be material for the purposes of consolidation. Details of the subsidiaries have been disclosed in note 16.

**(c) Going concern**

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic and the Directors' Report.

As part of its normal business practice the Company prepares annual and longer-term plans. The Directors have reviewed the Company's financial position, its forecasts, its cash-flows, liquidity, capital, operational resilience and its borrowing facilities. The Directors have considered the impact of various severe but plausible scenarios, as well as a reverse stress test. These scenarios include severe market downturn, cyber security breach, and other idiosyncratic events. FNZ Group Limited, the ultimate controlling party, has confirmed to the Directors that, through its existing financial resources, it will provide support to the Company, should it be required, for a period of twelve months from the approval of the financial statements.

Having performed the Going Concern review, the Directors are satisfied that the Company has access to sufficient resources to meet its liabilities for the foreseeable future and therefore the Directors have confirmed that the financial statements should be prepared on a going concern basis.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

---

**2. Statement of significant accounting policies (continued)**

**(d) Revenue from contracts with clients**

The Company's revenue from contracts with clients relates to the types of transactions included within this note. FNZ provides transaction and custody services to financial institutions to support the provision of wealth management services by these institutions to their intermediaries and end customers. FNZ defines these institutions as its clients and the end customers of these institutions are defined as customers.

*i. Asset servicing*

These are fees related to the performance obligations associated with the provision of ongoing dealing, pricing and custodial services charged to clients for the use of FNZ platforms. Revenue is recognised based on Assets-Under-Administration ('AuA'), subject to contractual minimum fees, and in accordance with contractually agreed charging structures set out in the underlying clients contracts.

Clients simultaneously receive and consume the benefits of using live FNZ platforms and fees are calculated, as the performance obligation is satisfied, on either (a) minimum fees or (b) by applying contracted basis points to the AuA on the platform. Revenue is recognised at a point in time with these fees being charged or accrued monthly.

*ii. Implementation and enhancement revenue*

These are fees related to the performance obligations associated with the development and configuration of custody service platforms. It is FNZ's policy that platform implementation projects (which include enhancements to existing clients' platforms) are separate performance obligations from the ongoing asset servicing and these are separately identifiable obligations within client contracts with separately determinable transaction prices. Due to the nature of these projects taking multiple periods, the revenue is recognised over time on a stage of completion basis. The percentage cost-to-complete method is used, where the costs incurred to date on the project are calculated as a percentage of the project's total estimated costs.

The total estimated cost for the project is the sum of the direct configuration and integration costs to deliver the proposition, and the direct allocation of core cost, applicable to the project. 'Core Cost' relates to the expense incurred in the development of the Single Global Core Product Suite. All costs are calculated based on a project management tool which is updated regularly for all the activities of project staff.

The Company determines the stage of completion based on the costs incurred to date as a percentage of the total project costs, which is an input method in accordance with the revenue accounting standard, IFRS 15. To calculate the stage of completion on a project, management must assess the forecasted costs-to-complete the project. This forecast of future costs is deemed to be a key accounting estimate for the financial statements.

Revenue is recognised net of VAT and in accordance with IFRS 15 in proportion to the work or services which have been performed, based upon legally binding agreements and the specific terms of each client contract. Typically the Company's implementation and enhancement services are provided under fixed-price contracts although the Company has also entered into contracts where revenue is linked to AuA and variable in nature. Where revenue is variable, the future fees receivable are estimated in line with the terms of the client contract and using AuA forecasts taking into account all reasonably available information. This use of forecast AuA to estimate variable consideration receivable is deemed to be a key accounting estimate for the financial statements.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Revenue is invoiced in line with the agreed terms set out in the underlying client contracts. Where revenue recognised exceeds the amount invoiced, this is recognised as a contract asset. Where amounts invoiced exceed revenue recognised the invoiced amount is recognised as contract liability and held on the balance sheet before being released to the Statement of Comprehensive Income as the revenue recognition criteria is met. Where there is uncertainty over collectability of an amount already included in revenue, an impairment allowance is recognised separately as an expense.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

---

**2. Statement of significant accounting policies (continued)**

**(d) Revenue from contracts with clients (continued)**

*iii. Cost plus ("Lift and Shift")*

Where a client is not yet on the Company's platform, the Company will incur the cost of the current operations required to service the outgoing customer platform prior to migration. The provision of transition services by the Company prior to migration to the Company's platform represent a separate performance obligation under IFRS 15. Lift and Shift revenue for this performance obligation is therefore accrued during the transition period, prior to migration, to reflect the additional benefit that the Company earns over the life of the contract as a result of the transition services. This revenue is recognised on the basis of the costs incurred on the Lift and Shift performance obligation in the period, plus a commercial margin.

*iv. Revenue from contracts with clients via other Group entities*

Where the Company incurs development costs in relation to client contracts which are entered into by other Group entities, the Company will recharge the relevant Group entity for the revenue that has been earned from work undertaken by staff and other utilised resources of the Company. Revenue is recognised at the point in time when the revenue earned from use of the Company's resources becomes rechargeable.

*v. Cost recharges*

The Company incurs certain costs on behalf of clients. Costs are recharged to clients in line with contractually agreed charging structures set out in the underlying client contracts. Revenue is recognised at a point in time when the cost is rechargeable.

**(e) Other operating income**

*i. Development services recharges*

Development service recharge revenue arises when the Company undertakes development work on behalf of other Group companies. This work includes development of IP assets held elsewhere in the Group. Costs incurred by the Company for this work are identified and charged to the recipient companies with an appropriate mark-up. Revenue is recognised at the point in time when the cost is rechargeable.

*ii. Costs recharged to group entities*

The Company incurs certain operating costs on behalf of other companies within the Group. Related costs are identified by management and recharged to the recipient companies. Revenue is recognised at the point in time when the cost is rechargeable.

*iii. Sub-lease rental income*

The Company sublets part of its office space. Rental income arising is recognised over time on a straight-line basis over the life of the lease.

**(f) Contract balances**

*i. Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the client. If the Company satisfies a performance obligation by transferring goods or services to a client before the client pays consideration, or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Company holds contract assets with the objective to collect the contractual cash flows and therefore measures them at amortised cost.

*ii. Contract liabilities*

A contract liability is the obligation to transfer goods or services to a client for which the Company has received consideration (or an amount of consideration is due) from the client. If a client pays consideration before the Company transfers goods or services to the client, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

---

**2. Statement of significant accounting policies (continued)**

**(g) Finance income and cost**

Finance income arising on financial assets at amortised cost is calculated using the effective interest method and is recognised in the Statement of Comprehensive Income. Finance costs are recognised on an accruals basis according to the contractual obligations agreed over the full contractual term. No finance costs have been capitalised during the year.

**(h) Foreign currency translation**

Foreign currency transactions are translated into the Company's functional currency ('GBP') using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences arising on consolidation of the Company's European branches are recognised in other comprehensive income with the foreign currency translation reserve representing the cumulative impact of these translation differences on consolidation.

**(i) Derivative financial instruments**

The Company's derivative financial instruments held are measured at fair value. These instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. Fair value gains and losses are recognised in the Statement of Comprehensive Income.

**(j) Leases**

The Company leases various properties and computer equipment. Rental contracts are typically made for fixed periods of 3 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. The Company uses the rate applicable for its revolving credit facility when determining the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise some computer equipment and small items of office furniture.

**(k) Cash and cash equivalents**

Cash and cash equivalents comprise cash at hand and cash held at banks available for use by the Company.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

---

**2. Statement of significant accounting policies (continued)**

**(l) Property, plant and equipment**

Property, plant and equipment ('PP&E') comprises office buildings, computer & other equipment and fixtures, fittings & furnishings and is carried at cost less accumulated depreciation and any recognised impairment loss. PP&E is depreciated using the straight line method over the estimated useful lives of the assets:

- Office properties: 15-20 years (2020: 15-20 years)
- Computers & other equipment: 3-5 years (2020: 3-5 years)
- Fixtures, fittings & furnishings: 3-5 years (2020: 3-5 years)

Throughout the year and at each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised as an expense immediately.

**(m) Intangible assets**

Intangible assets comprise acquired software licences. These are amortised using the straight line method over the useful life of the asset with this typically being 3 years. Where the software is an integral part of a computer or other equipment it is treated as property, plant and equipment. In these instances, amortisation is charged on the asset as a whole. Amortisation is included within operating expenses as disclosed in Note 6.

**(n) Trade and other receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Trade receivables are amounts due from clients for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade and other receivables do not carry any interest (except intercompany receivables - see note 2(q)) and are accounted for at issue date. The Company holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer to accounting policies of financial assets in note 2(r) for further details on this subsequent measurement and details of the Company's impairment policies.

**(o) Trade and other payables**

Trade and other payables are not interest bearing (except intercompany payables) and are stated at their nominal value.

**(p) Borrowings**

Borrowings are valued initially at fair value less transaction costs directly attributable to the acquisition of the financial liability as required by IFRS 9. These instruments are subsequently stated at amortised cost using the effective interest method.

**(q) Intercompany receivables and payables**

Intercompany receivables and payables are interest bearing and are initially recognised at fair value and subsequently at amortised cost. Interest applied to intercompany balances is calculated on the base rate of the country of the Company in receivable position plus 250 to 325 basis points (2020: base rate plus 250 to 325 basis points) and charged on the effective interest rate method. The Company holds intercompany receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer to accounting policies of financial assets in note 2(l) for further details of subsequent measurement.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

---

**2. Statement of significant accounting policies (continued)**

**(r) Financial assets**

*Classification*

The Company classifies its financial assets in the following measurement categories:

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

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ('FVOCI').

*Recognition and derecognition*

Typical purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

*Initial recognition and measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Subsequent measurement - debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income. Impairment losses are presented as a separate line item within operating expenses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

*Impairment*

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, for trade receivables and contract assets.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

---

**2. Statement of significant accounting policies (continued)**

**(s) Financial liabilities**

*Classification and subsequent measurement*

Financial liabilities are measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. All other financial liabilities are measured at amortised cost.

*Derecognition*

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**(t) Taxation**

Corporation tax is provided on the taxable profits at the standard UK corporation tax rate.

Deferred tax is recognised in respect of all temporary 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. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax is measured at the average tax rates that are expected to apply in the years in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis. Deferred tax assets are only recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**(u) VAT**

The majority of the services currently supplied by the Company are exempt from UK VAT. However, due to the Company's taxable business activities and that it is required to account for UK VAT under the reverse charge procedure in respect of the services it receives from overseas providers, it is registered for UK VAT.

As with expenditure incurred from UK suppliers, accounting for UK VAT under the reverse charge procedure (on services received from abroad) produces in the most part an irrecoverable VAT cost for the Company. The services received from abroad principally comprise transactions with related Group companies.

The Statement of Comprehensive Income and the Statement of Cash Flows have been prepared on a VAT inclusive basis, in relation to expenditure.

**(v) Other provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the future cost of discharging the obligation.

**(w) Share-based payments**

The Group operates a management equity scheme by issuing shares in FNZ Group Limited to specific individuals, including employees and non-executive directors of the Company. The Company applies the requirements of IFRS 2 'Share-based Payments' in respect of the share awards granted to its employees.

The cost of recipients' services received in exchange for the grant of rights under the scheme is measured at the fair value of the equity instrument granted, and is charged in the Statement of Comprehensive Income over the estimated vesting period.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**3. Critical accounting judgements and estimates**

The preparation of the Company's financial statements requires the use of accounting estimates where, by definition, it will not be known if they will equal actual results. The Directors also have to make judgments and estimates on how to apply the Company's accounting policies. The areas involving significant estimates or judgements are:

Critical accounting judgements

- Identifying performance obligations within client contracts and policy that platform implementation and enhancement projects are separate performance obligations from the ongoing asset servicing and that these are separately identifiable obligations within client contracts with separately determinable transaction prices - refer to note 2(d)

Critical accounting estimates

- Recognition of revenue from client contracts where performance obligations are satisfied over a period of time on a stage of completion basis using percentage cost-to-complete method which requires estimate of future project costs - refer to note 2(d)
- Estimate of implementation and enhancement revenue receivable from client contracts where fees are calculated with reference to AuA and variable in nature - refer to note 2(d)
- Estimate of cost plus ('Lift and Shift') revenue receivable from client contracts where revenue is recognised on a cost plus margin basis in line with costs incurred - refer to note 2(d)

**4. Revenue**

	2021	2020
	£'000	£'000
<b>Revenue from contracts with clients:</b>		
Asset servicing fees	100,042	78,533
Implementation and enhancement fees	114,847	93,557
Lift and Shift revenue	15,242	-
Revenue from contracts with clients via other Group entities	33	3,101
Cost recharges to clients	3,454	3,376
	<b>233,618</b>	<b>178,567</b>
<b>Other operating income:</b>		
Development services recharge	12,577	13,648
Cost recharges to other Group entities	7,721	1,313
Sub-lease rental income	281	281
Other income	475	311
	<b>21,054</b>	<b>15,553</b>
	<b>254,672</b>	<b>194,120</b>

Asset servicing fees have increased in the year due to continued growth in AuA.

Increase in implementation and enhancement revenue in 2021 is primarily driven by enhancement fees agreed with existing client base, together with one material implementation project agreed with a new client.

Lift and Shift revenue represents a new income stream for the Company with no parallel in the prior year, driven at present by one agreement.

Revenue from contracts with clients via other Group entities has decreased as a result of a relocation of staff exercise completed in December 2020 with staff moving to other entities within the Group. This has resulted in reduced recharge revenue.

Revenue arising from costs recharged to Group entities has increased in the year due principally to an increase in the extent to which other Group entities derived benefit from costs incurred by the Company. This led to an increase in recharges levied by the Company. This category was referred to in previous years as management service recharges. It has been renamed in the current year to better reflect the nature of the recharges levied.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**5. Contract assets and liabilities**

The Company recognises the following revenue-related contract assets and liabilities:

	2021 £'000	2020 £'000
Contract assets relating to implementation and enhancement fees	225,942	138,584
Impairment loss on receivables from contract assets relating to implementation and enhancement fees (note 21)	(9,455)	-
<b>Total contract assets</b>	<b>216,487</b>	<b>138,584</b>
Contract liabilities relating to asset servicing fees	386	622
<b>Total contract liabilities</b>	<b>386</b>	<b>622</b>

*Significant changes in contract assets and liabilities*

Contract assets have increased in the year due to a combination of increased implementation and enhancement revenue, the long-term Lift & Shift projects undertaken in the year, and increased revenue calculated with reference to AuA in future periods.

*Sensitivity of contract assets to critical accounting estimates*

Implementation and enhancement revenue is calculated using the percentage cost-to-complete method, where the costs incurred to date on the project are calculated as a percentage of the total estimated costs over the life of the project. Invoices relating to implementation and enhancement revenue are issued to clients in line with the agreed terms set out in the underlying client contract. Contract assets relating to implementation and enhancement fees arise when fees earned exceed invoices issued. As a result the carrying value of contract assets is directly impacted by the revenue calculation which requires an estimate of future project costs when a project is not complete at the reporting date. The sensitivity of the carrying value of the Company's contract assets to this estimate of future project costs is shown below.

	<b>Impact on carrying value of contract assets</b>	
	2021 £'000	2020 £'000
10% decrease in future project cost estimate	2,479	1,195
10% increase in future project cost estimate	(2,331)	(1,157)

The Company's contract asset carrying value is more sensitive to estimate of future project costs in 2021 due to the increase in implementation and enhancement fees in the year and the number of projects ongoing at year end, which require future project costs to be estimated.

	<b>Impact on carrying value of contract assets</b>	
	2021 £'000	2020 £'000
10% decrease in future AuA estimate	6,220	4,296
10% increase in future AuA estimate	(6,220)	(4,296)

The Company's contract asset balance is sensitive to the estimate of future AuA following a significant client contract being agreed in the year that links implementation and enhancement revenue receivable to AuA during the term of the contract.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**6. Operating expenses**

The operating profit is stated after charging:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Staff costs (note 7)	<b>75,128</b>	59,050
Royalty charge from other Group companies for use of intellectual property	<b>40,493</b>	35,397
IT costs, hardware and software maintenance	<b>19,790</b>	11,693
Operational platform costs	<b>13,642</b>	11,118
Contract staff and consultancy fees	<b>12,841</b>	18,018
Other expenses	<b>10,748</b>	8,454
Depreciation & amortisation (notes 14 and 15)	<b>9,946</b>	8,896
Development services recharges	<b>8,589</b>	7,556
Management services recharges	<b>5,907</b>	4,566
Short term leases and service agreements	<b>4,557</b>	6,527
Premises costs	<b>3,946</b>	2,696
Travel & entertainment	<b>541</b>	912
<b>Total operating expenses</b>	<b><u>206,128</u></b>	<b><u>174,883</u></b>

Increased staff costs, IT costs, operational platform costs and premises costs have been driven by the ongoing growth of the business and particularly by the impact of the additional cost base taken on as part of the Lift & Shift projects undertaken in the year.

Royalty charges incurred have increased along with client revenue.

Contract staff and consultancy fees in 2020 were driven in large part by one major client project, which required a lower level of external resource in 2021.

Fees paid to the Company's auditors can be analysed as follows:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
<b>Services:</b>		
Statutory audit	<b>324</b>	300
Audit related assurance	<b>726</b>	569
Other assurance services	<b>215</b>	168
Tax advisory services	<b>182</b>	79
Tax compliance services	<b>2</b>	19
<b>Total paid to auditors</b>	<b><u>1,449</u></b>	<b><u>1,135</u></b>

The above amounts are presented inclusive of VAT.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**7. Staff costs**

	2021	2020
	£'000	£'000
Wages and salaries	62,990	48,449
Social security costs	9,279	8,183
Other pension costs	2,874	2,047
Share-based payment (credit)/expense (note 22)	(15)	371
<b>Total staff costs</b>	<b>75,128</b>	<b>59,050</b>

Employee wages, salaries and social security costs are included within the overall staff costs disclosed in note 6.

Average monthly number of employees	2021	2020
	No.	No.
Operations	865	579
Product development and delivery	370	344
Administration (including sales and executives)	37	31
	<b>1,272</b>	<b>954</b>

The Company operates a Group Personal Pension scheme for its UK and Czech employees and pays into the appropriate pension schemes for other foreign employees. The assets of the scheme are held separately on a defined contribution basis under an insured arrangement.

The total cost charged to the Statement of Comprehensive Income of £2,874k (2020: £2,047k) represents contributions payable to these schemes by the Company at rates specified in the rules of the scheme. During the year, employer contributions to the UK pension scheme were 6% (2020: 6%).

As at 31 December 2021, contributions of £532k (2020: £638k) due in respect of the current financial year had not been paid over to the scheme.

**8 Fair value remeasurement of value share**

	2021	2020
	£'000	£'000
Remeasurement on sale	20,000	-
	<b>20,000</b>	<b>-</b>

During the year, the Company acquired a value share in the future disposal of a client business for a consideration of nil. On the same day, the share was sold to FNZ Group Limited (formerly Kiwi Holdco Cayco, Limited) for a sum of £20m. This sale was deemed to have taken place at fair value, and accordingly a fair value remeasurement of £20m was recognised in the year.

**9 Finance income and costs**

	2021	2020
	£'000	£'000
<b>Finance income:</b>		
Interest on intercompany balances	1,010	1,203
Other interest	-	44
	<b>1,010</b>	<b>1,247</b>

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**9. Finance income and costs (continued)**

	2021	2020
	£'000	£'000
<b>Finance costs:</b>		
Interest on leases	2,437	2,447
Interest on intercompany balances	1,075	729
Other interest	878	506
	<b>4,390</b>	<b>3,682</b>

The interest on intercompany balances has been calculated using interest rates of 250 to 325 basis points above the base rate (2020: 250 to 325 basis points above the base rate) of the country of the company in the receivable position.

**10. Income tax expense**

	2021	2020
	£'000	£'000
<b>Current tax:</b>		
Current tax on profit for the year	-	1,352
Adjustment in respect of prior years	(2,388)	(754)
Foreign tax relief	-	(325)
Foreign tax suffered	281	325
<b>Total current tax (credit)/expense</b>	<b>(2,107)</b>	<b>598</b>
<b>Deferred tax:</b>		
Originations and reversal of temporary differences	(95)	163
Adjustment in respect of prior years	16	495
<b>Total deferred tax (note 13)</b>	<b>(79)</b>	<b>658</b>
<b>Taxation (credit)/expense</b>	<b>(2,186)</b>	<b>1,256</b>

The tax assessed for the year differs from the statutory rate of corporation tax in the UK of 19% (2020: 19%). This difference is further explained below.

	2021	2020
	£'000	£'000
Profit before taxation	<b>55,808</b>	<b>17,435</b>
Tax on profit at standard UK tax rate of 19% (2020: 19%)	<b>10,604</b>	3,313
Adjusted by tax effect of:		
Adjustments in respect of prior years	(2,372)	(259)
Expenses not deductible	104	(11)
Effects of group relief	(10,803)	(1,787)
Income not taxable	-	-
Effects of overseas tax rates	281	-
<b>Taxation (credit)/expense</b>	<b>(2,186)</b>	<b>1,256</b>

It was announced in the UK Government's budget on 3 March 2021 that the main UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This legislative change was enacted on 10 June 2021. The closing deferred tax balances have therefore been calculated taking into account this change of rate and the applicable period over which the deferred tax assets and liabilities are expected to crystallise.

Further information about deferred income tax is presented in Note 13.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

<b>11. Cash and cash equivalents</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	<u><b>67,277</b></u>	<u><b>50,247</b></u>

<b>12. Trade and other receivables</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	<b>14,088</b>	15,790
Amounts due from related entities (note 22)	-	6,479
Prepayments	<b>6,547</b>	4,134
Other receivables	<b>4,016</b>	3,092
	<u><b>24,651</b></u>	<u><b>29,495</b></u>

Amounts due from related entities are the only receivables that carry interest. Refer to note 2(p) for interest rates applied to amounts due from related entities.

<b>13. Deferred tax asset</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	<b>217</b>	875
Adjustment in respect of prior years	<b>(16)</b>	(495)
Deferred tax credit/(charge) to income statement for the year	<b>95</b>	(163)
<b>At 31 December</b>	<u><b>296</b></u>	<u><b>217</b></u>
Deferred taxation at 31 December comprises:		
Fixed assets	<b>240</b>	170
Unutilised tax losses	-	47
Unpaid pension contributions	<b>56</b>	-
<b>Deferred tax asset</b>	<u><b>296</b></u>	<u><b>217</b></u>

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. Contracted revenue streams to the Company and expected future profits indicate that it is probable the asset recognised will be utilised.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**14. Property, plant and equipment**

	Office properties £'000	Computers & other equipment £'000	Fixtures, fittings & furnishings £'000	Total £'000
<b>Cost</b>				
As at 1 January 2020	18,798	20,310	2,212	41,320
Additions	5,980	2,336	5,072	13,388
<b>As at 31 December 2020</b>	<b>24,778</b>	<b>22,646</b>	<b>7,284</b>	<b>54,708</b>
<b>Accumulated depreciation</b>				
As at 1 January 2020	(3,756)	(9,596)	(1,771)	(15,123)
Depreciation charge for the year	(2,654)	(4,187)	(856)	(7,697)
<b>As at 31 December 2020</b>	<b>(6,410)</b>	<b>(13,783)</b>	<b>(2,627)</b>	<b>(22,820)</b>
<b>Net book value</b>				
<b>As at 31 December 2020</b>	<b>18,368</b>	<b>8,863</b>	<b>4,657</b>	<b>31,888</b>
<b>Cost</b>				
As at 1 January 2021	24,778	22,646	7,284	54,708
Additions	20,539	1,860	56	22,455
<b>As at 31 December 2021</b>	<b>45,317</b>	<b>24,506</b>	<b>7,340</b>	<b>77,163</b>
<b>Accumulated depreciation</b>				
As at 1 January 2021	(6,410)	(13,783)	(2,627)	(22,820)
Depreciation charge for the year	(3,470)	(4,485)	(1,163)	(9,118)
<b>As at 31 December 2021</b>	<b>(9,880)</b>	<b>(18,268)</b>	<b>(3,790)</b>	<b>(31,938)</b>
<b>Net book value</b>				
<b>As at 31 December 2021</b>	<b>35,437</b>	<b>6,238</b>	<b>3,550</b>	<b>45,225</b>

The Directors' review of impairment indicators did not result in the inclusion of any impairment loss in the Statement of Comprehensive Income.

Information on the value of assets held under lease agreements has been disclosed in note 23.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**15. Intangible assets**

	Software licences £'000	Total £'000
<b>Cost</b>		
As at 1 January 2020	6,640	6,640
Additions	658	658
<b>As at 31 December 2020</b>	<b>7,298</b>	<b>7,298</b>
<b>Accumulated amortisation</b>		
As at 1 January 2020	(4,691)	(4,691)
Amortisation charge for the year	(1,199)	(1,199)
<b>As at 31 December 2020</b>	<b>(5,890)</b>	<b>(5,890)</b>
<b>Net book value</b>		
<b>As at 31 December 2020</b>	<b>1,408</b>	<b>1,408</b>
<b>Cost</b>		
As at 1 January 2021	7,298	7,298
<b>As at 31 December 2021</b>	<b>7,298</b>	<b>7,298</b>
<b>Accumulated amortisation</b>		
As at 1 January 2021	(5,890)	(5,890)
Amortisation charge for the year	(828)	(828)
<b>As at 31 December 2021</b>	<b>(6,718)</b>	<b>(6,718)</b>
<b>Net book value</b>		
<b>As at 31 December 2021</b>	<b>580</b>	<b>580</b>

The Directors' review of impairment indicators did not result in any inclusion of any impairment loss in the Statement of Comprehensive Income.

**16. Investments in subsidiary undertakings**

The Company has investments in FNZ (UK) Nominees Limited (Company No. 05471102), FNZ Wealth Gross Nominees Limited (Company No. 08472251), FNZ Wealth Nominees Limited (Company No. 08472254), FNZ Wealth Nominees EUR Limited (Company No. 10492170) and FNZ Wealth Nominees USD Limited (Company No. 10491868), which are all wholly owned subsidiaries. These subsidiaries were set up to segregate client assets in a nominee name for the UK market, and as such will not trade in any year. They are all incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Suite 1, 3rd Floor 11-12 St. James's Square, London SW1Y 4LB.

The net book value of the investment in FNZ (UK) Nominees Limited is £1 (2020: £1). This value is considered to be equal to the subsidiary's fair value at balance sheet date. The net book value of the investments in FNZ Wealth Gross Nominees Limited, FNZ Wealth Nominees Limited, FNZ Wealth Nominees EUR Limited and FNZ Wealth Nominees USD Limited are £100 each (2020: £100). This value is considered to be equal to the subsidiaries' fair values at balance sheet date.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**17. Trade and other payables**

	<b>Current</b>	<b>Current</b>
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	7,892	10,475
Amounts owed to related entities (note 22)	12,275	-
Employee related payables	11,869	6,621
Accruals and deferred income	15,206	12,835
Other payables	7,692	2,070
	<b>54,934</b>	<b>32,001</b>
	<b>Non-current</b>	<b>Non-current</b>
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Other payables	<b>3,668</b>	<b>2,508</b>

Trade and other payables are stated at their nominal value and are unsecured.

**18. Derivative financial instruments**

	<b>Carrying amount</b>		<b>Fair value level 2</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial assets/(liabilities) measured at fair value</b>				
As at 1 January	(41)	(674)	(41)	(674)
Increase in fair value for the year	99	633	99	633
<b>As at 31 December</b>	<b>58</b>	<b>(41)</b>	<b>58</b>	<b>(41)</b>

Forward foreign exchange contracts are entered into for the purchase of Czech Republic Koruna for development and operational work from the Company's Czech branch. The forward foreign exchange contracts are not designated as hedging instruments and hedge accounting is not applied. The fair value is based on year-end forward rates. Similar contracts are traded in an active market and the quotations reflect the actual transactions in similar instruments; as such these contracts are classified as fair value level 2. This classification is prescribed by IFRS 13 'Fair Value Measurement' and an explanation of this level has been provided below.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**19. Borrowings**

	2021	2020
	£'000	£'000
Drawn RCF	10,000	10,000
Loan from related entity	4,325	-
	14,325	10,000

The Company has a single £10,000k revolving credit facility ('RCF'), which allows the Company to utilise loan funding up to the value of the facility for periods ranging from one month to six months. At the year end, the full value of the facility was utilised and repayable on 15 March 2022. The full balance was subsequently rolled over, to be repayable on 19 May 2022. A cash margin ratchet with margins between 2.25% and 3.00% p.a. payable applies to the RCF. Interest is repayable at the end of the agreed utilisation period.

During the year, the Company agreed a €5m loan with Die European Bank for Financial Services GmbH (ebase), a company within the Group. The loan is repayable on 31 May 2022, and interest is accruing at a rate of 2.22% per annum.

**20. Share capital and share premium**

The Company is a private company limited by shares. Details of the Company's authorised share capital have been provided below. All shares are issued and fully paid. The Company has no unpaid share capital (2020: nil).

	No. of shares		Share capital		Share premium	
	2021	2020	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Ordinary shares</b>						
Fully paid	25,890,300	25,890,300	25,890	25,890	4,243	4,243
Unpaid	-	-	-	-	-	-
<b>Total</b>	<b>25,890,300</b>	<b>25,890,300</b>	<b>25,890</b>	<b>25,890</b>	<b>4,243</b>	<b>4,243</b>

On 29 September 2020 the Company issued 8,000,000 £1 ordinary shares at par for cash. There were no share movements in 2021.

**21. Financial risk management**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's risk management programme includes a focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. As such the sensitivity of profit or loss to changes in exchange rates mainly arises from Czech Republic Koruna ('CZK') denominated forward exchange contracts.

The Company also assesses climate-related risks, including both organisational and propositional risks, on an ongoing basis. The impact of climate risk factors on the preparation of the financial statements is considered to be immaterial from the perspective of both the Company and the users of the financial statements.

The Company has a dedicated Risk and Compliance Committee that focuses on risk management. The Board discusses risk management at their monthly Board meetings.

**Market risk**

*Foreign exchange risk*

The Company is exposed to foreign exchange risk arising primarily from exposure to CZK. Foreign exchange risk arises from commercial transactions and intercompany transactions. The Company partially mitigates foreign exchange risk through forward foreign exchange contracts in CZK. The sensitivity of the Company's profit or loss to changes in the GBP/CZK exchange rate is shown on the next page. This represents the only significant foreign exchange movement to which the Company is exposed.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**21. Financial risk management (continued)**

**Market risk (continued)**

*Foreign exchange risk (continued)*

	Impact on post-tax profit	
	2021	2020
	£'000	£'000
GBP/CZK exchange rate - increase 10%*	(2,541)	(2,171)
GBP/CZK exchange rate - decrease 10%*	3,106	2,653

\*Holding all other variables constant

*Price risk*

The Company's service fee revenue and certain implementation and enhancement revenue contracts are linked to the market value of Assets-under-Administration ('AuA'). This value affects the amount of revenue earned. The risk of a significant reduction in AuA is partially mitigated as only a portion of AuA has an underlying exposure to the equity market and the fact that most client contracts include minimum annual fees that are not linked to the value of AuA.

The Company's forward foreign exchange contracts are the only assets or liabilities which are held at market value. The finance team are responsible for arranging these forward contracts and monitoring the positions to ensure the associated risks are mitigated within acceptable levels of risk appetite.

*Interest rate risk*

The Company's main interest bearing liabilities are its lease liabilities (note 23), the RCF (note 19), and its intercompany balances (note 22). Lease interest rates are fixed when entering into the lease. The RCF rate is set every time the facility is renewed, as per note 19. Intercompany liabilities include a loan issued by another company within the Group at a fixed rate of interest, as per note 22. For the other intercompany liabilities, the Company has entered into a netting agreement with other companies in the Group. The Directors consider this agreement to adequately mitigate the interest rate risks associated with the related party balances.

The Company's income and operating cash-flows are substantially independent of changes in market interest rates.

The Company analyses its interest rate exposure on an ongoing basis. On an annualised basis, if interest rates on variable interest rate borrowings had been 200 basis points higher/lower with all other variables held constant, Company pre-tax profit for the year would have been £113k lower/higher respectively (2020: £38k).

**Credit risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions.

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, for trade receivables and contract assets. The credit risk assessments carried out in respect of the Company's financial assets has not resulted in any expected credit losses in the current year. Credit risk is not typically considered significant as the Company's client base consists of large financial institutions.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. An impairment loss was recognised in respect of two client contracts in the year. In both cases, an assessment was made that the revenue associated with work performed on contracts was no longer recoverable.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**21. Financial risk management (continued)**

**Credit risk (continued)**

A summary has been provided below of the financial assets which the Directors consider to have credit risk.

	Gross carrying amount £'000	Expected credit loss allowance £'000	Receivables written off during the year as uncollectible £'000	Net carrying amount £'000
<b>As at 31 December 2021</b>				
Trade receivables	14,088	-	-	14,088
Contract assets	225,942	-	(9,455)	216,487
Amounts due from related entities (note 22)	-	-	-	-
<b>As at 31 December 2020</b>				
Trade receivables	15,790	-	-	15,790
Contract assets	138,584	-	-	138,584
Amounts due from related entities (note 22)	6,479	-	-	6,479

No trade receivables within the net carrying amount shown above are noted as remaining past due (2020: £nil).

**Liquidity risk**

Liquidity risk primarily results from the irregular timing of cash receipts associated with client implementations. FNZ management reviews cash flow forecasts regularly and actively manages cash requirements to ensure that the Company has sufficient funds to meet its needs.

The table below provides a maturity analysis for the Company's liabilities on a gross, undiscounted basis:

	6 months or less £'000	6 - 12 months £'000	1 - 5 years £'000	More than 5 years £'000
<b>At 31 December 2021</b>				
Trade payables	7,892	-	-	-
Employee related payables	11,869	-	-	-
Other payables	6,121	1,571	3,668	-
Contract liabilities	386	-	-	-
Lease liabilities	3,735	5,804	21,823	25,235
Bank loan	10,000	-	-	-
	<u>40,003</u>	<u>7,375</u>	<u>25,491</u>	<u>25,235</u>
<b>At 31 December 2020</b>				
Trade payables	10,475	-	-	-
Employee related payables	6,621	-	-	-
Other payables	14,168	737	2,508	-
Contract liabilities	622	-	-	-
Current tax liability	289	-	-	-
Lease liabilities	3,022	3,816	20,094	9,809
Derivative financial instrument	(60)	101	-	-
Bank loan	10,000	-	-	-
	<u>45,137</u>	<u>4,654</u>	<u>22,602</u>	<u>9,809</u>

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**21. Financial risk management (continued)**

**Capital management**

The following disclosures relating to capital management are unaudited unless otherwise stated, and should be read in conjunction with the Regulatory Capital Requirements section of the Director's Report on page 10.

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide services to and fulfil its contractual commitments to its clients and provide returns for its shareholders;
- to maintain a strong capital base to support the development of its business;
- to comply with the capital requirements set by the regulators of the investment firm market where the Company operates.

Capital adequacy and the use of regulatory capital are monitored monthly by the Company's board, employing techniques based on the guidelines developed by the Basel Committee and the European Commission Directives, as implemented by the Financial Conduct Authority ('FCA'), for supervisory purposes. The required information is filed with the FCA on a quarterly basis.

The Company's regulatory capital resources are exclusively comprised of Common Equity Tier 1 ('CET 1') items.

The table below summarises the composition of regulatory capital of the Company for the years ended 31 December 2021 and 31 December 2020. The Company is compliant with all applicable externally imposed capital requirements.

	2021 £'000	2020 £'000
<b>Common Equity Tier 1</b>		
Fully paid up share capital	25,890	17,890
Share premium	4,243	4,243
Retained earnings	198,888	140,909
Foreign currency translation reserve	(1,434)	(1,405)
Less: Deduction for intangible assets	(580)	(1,408)
<b>Total qualifying Common Equity Tier 1 capital</b>	<u>227,007</u>	<u>160,229</u>
<b>Total regulatory capital</b>	<u>227,007</u>	<u>160,229</u>

On 29 September 2020 the Company issued 8,000,000 £1 ordinary shares at par which were not included in the Company's CET 1 as at 31 December 2020 as FCA permission to do so through the UK Capital Requirements Regulation (UK CRR) permissions process remained outstanding. This permission was granted by the FCA in September 2021 and these shares are accordingly included within CET 1 as at the 2021 year end date.

**Internal Capital Adequacy Assessment Process**

The objective of the ICAAP is to identify the key risks that the Company's business activities give rise to, assess the adequacy of its control environment and quantify the appropriate level of capital to be held by the firm at all times.

The ICAAP is reviewed by senior management and approved by the Board of Directors on at least an annual basis. The Board retains ultimate responsibility for the ICAAP. The ICAAP is subject to review, robust challenge, and approval (where appropriate) with engagement by senior management and the Board through a structured governance process. This assessment draws on the results of existing risk management techniques and reporting. The Company performs capital planning as part of its business planning process.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**22. Related parties**

The Company is a wholly owned subsidiary of FNZ Group Entities Limited (a Jersey registered company). The ultimate parent company is Falcon Newco Limited (an exempted limited company formed under the laws of the Cayman Islands). The ultimate controlling party is FNZ Group Limited, (a Jersey registered company) and the Company is a member of the FNZ Group Limited group ('the Group'). FNZ Group Entities Limited and FNZ Group Limited were registered in the Cayman Islands as at the year end date, at which point all Cayman registered companies within the Group were UK tax residents.

Subsequent to the year end, on January 4th 2022, FNZ Group Limited and FNZ Group Entities Limited relocated to Jersey and are now Jersey tax residents.

**Transactions with related entities**

The Company has entered into the following transactions with related parties during the year:

	2021	2020
	£'000	£'000
<b>Immediate parent – FNZ Group Entities Ltd</b>		
Subscription for share capital (note 20)	-	8,000
Payment for share capital (note 20)	-	(8,000)
Interest receivable on intercompany balance (note 9)	44	618
Working capital and other transactions	(44)	(11,210)
<b>Other related entities</b>		
Revenue from contracts with clients via other Group entities (note 4)	33	3,101
Development services recharge revenue (note 4)	12,577	13,648
Management services recharge revenue (note 4)	7,721	1,313
Royalty charge from other Group companies for use of intellectual property (note 6)	(40,493)	(35,397)
Development services recharges (note 6)	(8,589)	(7,556)
Management services recharges (note 6)	(5,907)	(4,566)
Interest receivable on intercompany balance (note 9)	966	585
Working capital and other transactions	14,938	6,178
	(18,754)	(33,286)

**Amounts due (to)/from related entities**

The Company holds the following balances with related parties at the end of the year. All balances are classed as current and are repayable on demand.

	2021	2020
	£'000	£'000
Immediate parent – FNZ Group Entities Limited	-	-
Other related entities	(12,275)	6,479
	(12,275)	6,479

There were no transactions with or balances due to/from the Company's ultimate parent, Falcon Newco Limited, during the current or prior financial year.

It is the Group's policy to charge 5% uplift where staff costs are recharged to other Group entities. Other costs are recharged as incurred.

During the prior year one of the Company's Directors held a directorship with an entity that is a related entity of one of the Company's clients. This directorship ceased during the prior year. All services provided by the Company to this client are on an arm's length basis.

During the year, the Company agreed a €5m loan with Die European Bank for Financial Services GmbH (ebase), a company within the Group. This balance is disclosed within borrowings per note 19.

The Company has provided service agreement guarantees in respect of client contracts entered into by other Group entities. These guarantees do not represent a financial guarantee and no liabilities have been recognised as the risk of loss is deemed to be remote.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**22. Related parties (continued)**

**Key Management's emoluments**

Total remuneration is included within staff costs (see Note 7). Key Management includes those who have the authority and responsibility for planning, directing and controlling the activities of the Company. The emoluments relating to Key Management and the Directors (as listed on page 1) has been provided below. Short-term emoluments include salary, bonuses and other benefits provided.

	2021 £'000	2020 £'000
Aggregate short-term emoluments	2,758	2,248
Compensation for loss of office	-	230
Contributions made in respect of money purchase schemes	103	78
Share-based payments	47	8
	<u>2,908</u>	<u>2,564</u>

During the year, 14 people remunerated by the Company were classed as Key Management (2020: 12).

	2021 £'000	2020 £'000
<b>Directors' emoluments</b>		
Aggregate short-term emoluments	1,476	1,448
Contributions made in respect of money purchase schemes	28	32
Share-based payments	11	2
	<u>1,515</u>	<u>1,482</u>

	£'000	£'000
<b>Highest paid Director</b>		
Aggregate short-term emoluments	404	426
Share-based payments	1	-
	<u>405</u>	<u>426</u>

**Loans to/from related parties**

The Company has extended a loan to one of the Directors of an entity within the Group. This loan has no fixed repayment date and is charged interest at 2.5%. Interest accrued is included within the balance payable. The balance remaining payable in respect of this loan was £506k at the year end (2020: £498k).

**Incentive Plan - Share-based compensation plan**

The Group operates management equity schemes which allow employees and other specific individuals equity participation in the Group through beneficial ownership of Class B3, B4 and F1 Shares in FNZ Group Limited. Issues of Class B shares are in tranches. Movements in share classes during the current and prior year are shown below:

	B3 Shares No. of shares	B4 Shares No. of shares	F1 shares No. of shares
Balance as at 1 January 2020	118,794	47,613	-
Re-purchase and cancellation of shares for consideration of USD 0.01 per share	(7,331)	-	-
<b>Balance as at 31 December 2020</b>	<u>111,463</u>	<u>47,613</u>	<u>-</u>
New shares issued in the year	-	-	21,177
Re-purchase and cancellation of shares for consideration of USD 0.01 per share	(1,434)	(21)	-
<b>Balance as at 31 December 2021</b>	<u>110,029</u>	<u>47,592</u>	<u>21,177</u>

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

---

**22. Related parties (continued)**

**Incentive Plan - Share-based compensation plan (continued)**

The Group operates management equity schemes which allow employees, and other specific individuals, equity participation in the Group through beneficial ownership of class 'B3', 'B4' and 'F1' Shares in FNZ Group Limited. The issues of B3, B4 and F1 shares were approved by the Group Remuneration Committee in 2017, 2018 and 2021 respectively. Employees of the Company hold B3, B4 and F1 shares but the Company has no obligations arising in respect of these shares. The issues of B3, B4 and F1 shares have been treated as equity-settled share-based payments in the Statement of Comprehensive Income.

When valuing the B3 and B4 shares, the Company used the Black-Scholes model to calculate the fair value of one award on the grant date of the awards. All Class B Shares with exception of 'B1' shares are subject to distribution hurdles as determined by the Group Board upon issue, and participate pro rata with all other Class B Shares above their respective hurdles. The hurdles for B3 and B4 shares, expressed in relation to B1 shares, have been treated as the effective exercise price as input into the model. The share price on grant was based on an external expert valuation conducted for the purpose of the launch of the new equity scheme. An estimate of future volatility was made with reference to historical volatility over a similar time period to the performance period. Historical volatility is calculated based on the annualised standard deviation of a listed peer group's daily share price movements.

The standard contractual vesting period of B3 and B4 shares is four equal instalments over four years from the contractual vesting date. The terms of the scheme includes the potential for accelerated vesting in case of a liquidity event or distribution to shareholders prior to the four year period. Therefore, the Group applied a one year (25%) reduction to the standard four year contractual vesting period to the valuation model to reflect this theoretical potential of accelerated vesting.

As with the B3 and B4 shares, F1 shares are subject to hurdle rates which determine the value a holder of F1 shares would be expected to obtain. The hurdle rates for F1 shares are linked to a return on investment rate ('IRR') agreed by the shareholders of FNZ Group Limited. If this IRR is achieved upon a "Liquidity Event", a percentage of financial returns above this rate will be shared with F1 shareholders. A Liquidity Event is primarily a transfer of all or substantially all of the assets of FNZ Group Limited or the shares in FNZ Group Limited to a third party. FNZ Group Limited may also elect to include an initial public offering ('IPO') as a Liquidity Event. There are several hurdle rates and the value of F1 shares increases as the IRR increases.

Option pricing methods such as Black-Scholes, as used for the B3 and B4 shares, can be used to determine the value of the F1 Shares based on the range of potential payoffs. This would reflect the "hope" or "time" value of the F1 shares and captures the upside potential. However, a standard OPM model, such as Black-Scholes, is not deemed to appropriately value the F1 shares as that valuation methodology lacks the versatility to consider the criteria of the F1 Shares and their interaction with the IRR. A Monte Carlo Simulations ('MCS') approach has been used to determine the value of the F1 Shares by simulating thousands of potential payoffs in a risk-neutral framework. The Group has used a MCS approach to value the F1 shares by using the average payoff to F1 shareholders from the thousands of simulations in the model. The Group used an external expert valuation for this exercise and for the purpose of the launch of the F1 shares equity scheme. An estimate of future volatility was made with reference to historical volatility over a similar time period to the performance period. Historical volatility is calculated based on the annualised standard deviation of a listed peer group's daily share price movements.

The standard contractual vesting period of F1 shares is eight equal instalments over eight years from the contractual vesting date. As with the B3 and B4 shares, the terms of the F1 scheme includes the potential for accelerated vesting in case of a liquidity event or distribution to shareholders prior to the eight year period. Therefore, the Group applied a one year (12.5%) reduction to the standard eight year contractual vesting period to the valuation model to reflect this theoretical potential of accelerated vesting.

22. Related parties (continued)

Incentive Plan - Share-based compensation plan (continued)

A summary of the valuation assumptions for the share classes held by employees of the Company has been provided below.

Award	Volatility	Dividend yield	Risk free rate	Assumed life	Fair price of one award
B3 share	24.50%	0.0%	0.15%	3 years	£1.59
B4 share	25.00%	0.0%	0.79%	3 years	£17.79
F1 share	32.70%	0.0%	0.60%	7 years	£227.46

The risk-free rate assumed reflected the UK government yield curve for the assumed life as at the grant date.

The cost of recipients' services received in exchange for grant of B3, B4 and F1 shares is charged to the Statement of Comprehensive Income over the estimated vesting period, which is the shorter of the remaining contractual vesting period or the period to estimated liquidity event date (estimated at time of share issue) in the event this was less. Based on these vesting assumptions, the B3 shares are fully vested and the weighted average remaining life of the remaining B4 and F1 shares at the end of the year was 0.57 and 6.9 years respectively.

Assumptions have been made over performance criteria, specifically leavers. The Company has assumed 20% leavers and applied this to unvested F1 shares over the assumed life. The B4 shares will fully vest in 2022 and no leaver assumption has been applied to these shares.

The Company has recognised a share-based payment credit in the year in relation to these schemes of £15k (2020: £371k expense). This credit is the net result of a £151k expense relating to shares vested in the year and a £166k reversal of expense recognised in prior year relating to shares that were treated as fully vested but have been subsequently re-purchased and cancelled.

**Incentive Plan – Kiwi CayLP, LP**

The founders of the Group and some key management (including some Executive and Non-Executive Directors) also participate in the equity growth and future value of the business via Kiwi CayLP, LP, a Cayman registered investment vehicle that itself holds equity in FNZ Group Limited. Prior to the launch of the existing share schemes some awards of units in Kiwi CayLP, LP were made in January 2017, including those to Non-Executive Directors.

**Incentive Plan – EIP**

Additionally, the Group operates a legacy Employee Incentive Plan ('EIP') which provided the opportunity for certain employees to participate in the future growth of the business. Units, which are notional only and which do not constitute shares in any company, entitle the holders to a small proportion of any distribution by FNZ Group Limited to its shareholder Kiwi CayLP, LP. A small number of former employees continue to hold such units.

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**23. Leases**

**(a) Amounts recognised in the Balance Sheet**

The net book value of assets held in respect of right-of-use assets were as follows:

	2021	2020
	£'000	£'000
<b>Property, plant and equipment (note 14)</b>		
Office properties	35,437	18,368
Fixtures, fittings & furnishings	3,149	4,095
Computers & other equipment	5,052	7,922
	<u>43,638</u>	<u>30,385</u>

Additions to the right-of-use assets during the 2021 financial year were as follows:

	2021	2020
	£'000	£'000
<b>Property, plant and equipment (note 14)</b>		
Office properties	20,539	5,980
Fixtures, fittings & furnishings	-	4,729
Computers & other equipment	935	1,253
	<u>21,474</u>	<u>11,962</u>

During the year, the Company entered into an agreement running until 2034 to lease an office property in Edinburgh. In line with the provisions of IFRS 16, a lease liability has been recognised along with a matching right-of-use asset. The liability at recognition was valued at £27.5m. The corresponding right-of-use asset recognised of £20.5m is £7m lower due to the impact of a cash incentive received by the Company upon entering into the agreement.

**(b) Amounts recognised in the Statement of Comprehensive Income**

The Statement of Comprehensive Income includes the following amounts relating to leases:

<b>Depreciation and amortisation charge of right-of-use assets</b>	<b>2021</b>	<b>2020</b>
	£'000	£'000
<b>Property, plant and equipment (note 14)</b>		
Office properties	3,470	2,654
Fixtures, fittings & furnishings	945	635
Computers & other equipment	3,805	3,736
	<u>8,220</u>	<u>7,025</u>
<b>Intangible assets (note 15)</b>		
Software licenses	-	124
	<u>-</u>	<u>124</u>
Interest expense included in finance cost (note 9)	2,437	2,447
Expense relating to short-term leases included in operating expenses (note 6)	415	1,057
Total cash outflow impact of leases	<b>(11,054)</b>	<b>(8,783)</b>

**FNZ (UK) Ltd**  
**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

---

**24. Changes in accounting policy and disclosure**

*New and amended standards adopted by the Company*

No new standards or amendments have been adopted by the Company for the first time for the financial year beginning on 1 January 2021 which would be considered to have a material impact on the Company.

*New standards and interpretations not yet adopted*

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

**25. Commitment and contingencies**

As at 31 December 2021 there were no capital commitments (2020: £nil). There are no contingent assets or liabilities as at 31 December 2021 (2020: none)

**26. Subsequent events**

In February 2022 Russia invaded Ukraine which has resulted in global unrest and subsequently had an adverse impact on global financial markets. The Company's exposure to both locations is remote with no operational activity in either country. FNZ has performed a detailed risk assessment and does not anticipate a material impact upon its financial performance. FNZ continues to monitor the situation via a specific crisis management team, set up in response to the conflict.