

CAB | PAYMENTS

REGISTRATION
DOCUMENT

This document comprises a registration document (the "**Registration Document**") relating to CAB Payments Holdings Limited (the "**Company**") prepared in accordance with the prospectus regulation rules (the "**Prospectus Regulation Rules**") of the Financial Conduct Authority (the "**FCA**") made under Section 73A of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**"). The Registration Document has been approved by the FCA, as competent authority under the UK version of Regulation (EU) 2017/1129 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (as amended) ("**EUWA**") (the "**UK Prospectus Regulation**"). The FCA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is the subject of this Registration Document. Capitalised terms used in this document which are not otherwise defined have the meanings given to them in the section headed "*Glossary*".

The Company and its directors, whose names appear on page 26 of this document (the "**Directors**"), accept responsibility for the information contained in this document and declare that, to the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

This document should be read in its entirety, including the section headed "Risk Factors" beginning on page 1, for a discussion of certain risks related to the Group.



CAB Payments Holdings Limited

(incorporated under the Companies Act 2006 and registered in England and Wales with registered number 09659405)

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This Registration Document may be combined with a securities note and summary to form a prospectus in accordance with the Prospectus Regulation Rules. A prospectus is required before an issuer can offer transferable securities to the public or request the admission of transferable securities to trading on a regulated market ("**Admission**"). However, this Registration Document, where not combined with the securities note and summary to form a prospectus, does not constitute an offer or invitation to sell or issue, or a solicitation of an offer or invitation to purchase or subscribe for, any securities in the Company in any jurisdiction, nor shall this Registration Document alone (or any part of it), or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever with respect to any offer or otherwise. Nothing in this document constitutes an offer of securities for sale in any jurisdiction and is not for release, publication or distribution, in whole or in part, directly or indirectly, in or into or from the United States (including its territories or possessions, any state of the United States and the District of Columbia), Canada, Australia, Japan, South Africa or any other jurisdiction where such distribution is unlawful, subject to certain limited exceptions. The Ordinary Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States. This document may only be distributed outside the United States in reliance on Regulation S and within the United States to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A.

The date of this document is 8 June 2023.

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RISK FACTORS

Investing in and holding the Ordinary Shares involves financial risk. One should carefully review all of the information contained in this document and should pay particular attention to the following risks associated with the Group which should be considered together with all other information contained in this document. If one or more of the following risks were to arise, the Group's business, financial condition, results of operations, prospects or the price of the Ordinary Shares could be materially and adversely affected. The risks set out below may not be exhaustive and do not necessarily include all of the risks associated with the Group and the Ordinary Shares. Additional risks and uncertainties not currently known to the Group or which it currently deems immaterial may arise or become material in the future and may have a material adverse effect on the Group's business, results of operations, financial condition, prospects or the price of the Ordinary Shares.

Risks Relating to Business and Industry

The Group's FX and payments platform relies on a network of services from third parties that could be difficult to replace and could negatively impact the Group if certain of these parties ceased providing such services adequately or at all. Cessation of or defects in various services provided to the Group by third parties could cause temporary disruption to its business or limit the scope of the Group's products and services.

The Group has built an FX and payments platform to enable customer transactions in approximately 150 countries, including 119 countries covered directly. The Group achieves its extensive coverage with the support of third parties that facilitate various aspects of its FX and payments platform. These third parties include USD clearing providers, the Group's Local Bank Account Network, other local third party liquidity providers and other third parties, including last-mile mobile wallet payment providers, data and compliance providers, and technical solutions service providers. Third parties that the Group relies on may fail to fulfil their obligations to the Group, change the terms of their services in a manner which could prevent the Group from providing services to certain customers, or in certain countries or currencies, refuse to continue providing services to the Group on commercially reasonable terms or at all, take actions that degrade the reliability and functionality of their services, impose additional costs or requirements on the Group, give preferential treatment to competitors of the Group, suffer outages in their systems (including as a result of system failures or cyberattacks), or have internal liquidity issues which cause them to stop providing services to the Group. Any of these occurrences could degrade the Group's ability to make rapid FX trades or payments to certain markets, disrupt the Group's ability to provide its products and services or otherwise harm the Group's ability to offer its products and services.

While the Group seeks to have redundancy within its FX and payments platform by having multiple third party providers that can provide the services the Group requires, there are particular geographies and parts of its platform where there are fewer potential service providers, which exposes the Group to increased risk in the event of any deterioration or loss of such third party relationships. In particular, the Group provides its customers with a high volume of USD FX trading and payments transactions, a significant number of which require the Group to use a USD clearing institution which is a member of the Clearing House Interbank Payments System ("**CHIPS**") in the United States. CHIPS has a limited number of members. While the Group currently has arrangements with two USD clearing institutions that are members of CHIPS, the terms of their services vary, and changes in the terms of service, or a deterioration or a loss of either of those relationships, could require a change in the manner in which the Group processes USD transactions and the scope of the products and services it can offer. For example, further growth of the Group's business and/or a significant increase in the volume of USD transactions which the Group processes could result in either or both of the USD clearing institutions the Group uses re-evaluating the Group's terms and conditions. In addition, the risk appetite of one or both of the Group's USD clearing institutions could change based on such institution's own internal compliance, anti-money laundering ("**AML**") or other risk assessments, causing them to be unwilling to continue to provide the same services to the Group or work with the Group in certain markets. Any such changes in the Group's relationships with these third parties could result in the loss of customers and associated revenue, increase the Group's costs or restrict the scope of products and services the Group can offer.

In addition to USD payments, the Group's business also uses other third party financial institutions for transactions, currency clearing and to source liquidity in the other currencies for the Group's transactions. While the Group believes there are various alternative service providers that it could work with for its other currencies, the deterioration or loss of any of these relationships could disrupt the Group's services in the event it is required to find replacement providers. Furthermore, where any of these third party providers provide multiple sources of liquidity for the Group, changes in the terms of that relationship or a loss of that relationship could require the Group to find new third party relationships in a number of additional jurisdictions. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group has experienced rapid growth, which may not be sustainable or indicative of future growth, and the Group's growth assumptions could be inaccurate.

The Group has experienced high growth in demand for its products and services from existing customers, and the Group's growth targets assume that its existing customers will continue to increase their demand for its services and continue shifting and expanding into more profitable specific combinations of sending currency and receiving currency pairs, or, in some cases, country combinations ("**currency corridors**"). However, there can be no assurance that the recent historical growth in customer demand from existing customers will continue, that the Group's growth assumptions regarding demand from existing customers are accurate or that it will be able to continue to benefit from growth in its more profitable currency corridors. As a result, the Group's current growth trajectory could decline, and its growth targets may fail to be met.

The Group may also be unable to sustain its growth if it is unable to increase the scale of its FX and payments platform, which will rely in part on the Group expanding the depth of its existing Local Bank Account Network and securing other third party providers to meet the expected increase in demand. The Group's growth targets anticipate the Group will also be able to deepen its network and increase its customer numbers in certain of its existing markets, which have not been of significant focus, particularly in Latin America and Asia Pacific, which will require the Group to be able to meet increased demand in the relevant currencies. Furthermore, the Group has seen rapid growth in the demand for its products and services in its most active currency markets (NGN, XOF and XAF) in the recent past, and there is no guarantee that the growth experienced in these markets will be sustained or that the Group will be able to establish sufficient relationships, if needed, with additional local banks, liquidity and other payment providers that meet its standards to increase the volume of transactions in line with customer demand. In the past, the Group has found that a number of the local banks where it holds accounts in its own name and other third party providers are able to process only limited transaction volumes at the Group's required transaction, delivery and settlement speeds. When facing such limits on the part of existing local banks or liquidity providers, the Group has sourced additional local bank accounts or relationships with other third party liquidity providers to enable the Group to meet the increased demand while maintaining its service levels. Going forward, while the Group intends to seek new third parties in markets where it anticipates growth, the Group may not be able to find local banks at which to open accounts, liquidity, or other payment providers that meet the Group's service level expectations, which could hinder the Group's ability to meet its additional volume of growth targeted if it cannot maintain its service levels as it scales its operations.

Moreover, the Group intends to grow further through the acquisition of new customers. The Group's assumptions regarding new customer acquisitions may not be accurate. For example, the Group's growth plan is partially dependent on the acquisition of new major market bank customers and there is no guarantee that the sales team will be successful in their attempts to acquire such additional customers. Furthermore, the Group will be required to increase the size of its sales team to meet its targets for additional customer acquisitions. In the event that the Group is unable to hire additional qualified sales employees on the timetable anticipated, this could delay the Group's growth expectations and the Group's growth targets may fail to be met on the timetable anticipated.

In addition, the Group's future growth depends in part on the successful further expansion of its operations internationally. For example, the Group has applied for an EU payments licence in the Netherlands, which would enable it to engage in more direct customer solicitation and marketing activities to reach new customers in the European Union and is also exploring options for a trading desk in Asia Pacific and/or the Americas, either organically or through acquisitions, as well as assessing other options to extend the trading desk hours of the Group's operations, which may require further regulatory approvals or licensing. Should the Group fail to obtain its EU payments licence or to extend its trading desk hours, its ability to seek out new customers or service a more global base of customers would be limited, which could negatively impact the Group's growth. In the event that the Group requires regulatory approvals for its growth strategy, there can be no guarantee that it will be able to obtain such approvals. See also, "*The Group may face challenges in expanding its products and services in its existing markets or into new geographic regions, which could adversely affect its potential future growth*". If the Group is not able to meet the factors above or the assumptions are not realised, the Group's growth may be harmed, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Fluctuations in currency exchange rates may negatively impact the Group's earnings and may impact the comparability of the Group's earnings from period to period.

The Group is subject to currency translation risk. A significant proportion of the Group's revenue is denominated in USD (as the majority of sales are originated in USD), with 76% of the Group's revenue denominated in USD in the year ended 31 December 2022. As a result, the Group's revenue and Adjusted EBITDA generated by its FX, payments and banking services may increase or decrease, when reported in GBP, compared to prior periods as a result of changes in FX rates. In particular, the Group is exposed to fluctuations in the exchange rate between the USD and GBP, as a result of the fact that the majority of the Group's revenue is earned in USD, but the Group reports

and incurs a significant proportion of its costs in GBP. As a result, during periods of weakness in the USD relative to GBP, the Group's revenue and profit for the period as reported in GBP will decline in relative terms, whereas in periods of appreciation in the USD relative to GBP, the Group's revenue and profit for the period as reported in GBP will increase in relative terms. Any such increase in a given period may be more than offset in any subsequent period, as a result of currency movements over which the Group has no control. Subject to receiving PRA approval, the Group intends to enter into FX forwards with financial institutions to partially hedge volatility in GBP equivalent revenue caused by fluctuations in the FX rates between GBP and USD. Assuming the Group is able to enter into such agreements, these are not expected to fully hedge FX volatility with respect to GBP equivalent revenue as only a portion of USD revenue will be hedged and would expose the Group to counterparty risk.

As a result of the Group's products and services offered in other markets, it is also subject to currency transaction risk, primarily related to changes in currency rates between the time it agrees its spot FX and payments products and services and settles such transactions. Resulting exchange gains and losses are included in the Group's revenue. The Group faces transaction risk in the event there are adverse movements in the FX rate between the rates agreed and those at settlement. See also "*Changes in the macroeconomic and political environment in the Group's markets may have an adverse effect on the Group's business, results of operations, financial condition or prospects*" for further information about this risk. As a result of any of the foregoing, volatility in FX rates could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Changes in the macroeconomic and political environment in the Group's markets may have an adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is affected by global, regional and local macroeconomic events and conditions, and the political environments in the countries in which it operates or provides its products and services. Adverse changes in political and social conditions, economic growth rates, government spending and regulation, international aid flows, sanctions regimes and war can negatively impact the Group.

For example, macroeconomic and political conditions may impact FX and interest rate movements, which could in turn impact the take rates the Group can achieve on its FX and payments products and services, or result in a reduction in customer demand for the Group's products and services. For example, significant armed conflict, such as the ongoing conflict between Russia and Ukraine, or the increased use of sanctions or other restrictive measures around the world, could continue to adversely affect certain of the Group's customers, the global economy and financial markets, which could in turn have a material adverse effect on the Group's business, results of operations, financial condition or prospects. Further, in many of the emerging markets where the Group provides currencies, the Group faces the risk that any newly elected local governments could introduce regulations or policies that are unfavourable to its activities. Central banks have in the past and could in the future introduce measures to protect their currency and economy, which might make it more difficult for the Group to source and provide products and services in such currencies, or otherwise have an adverse effect on the Group's business in respect of those markets.

The Group generally benefits from sourcing currencies that are less liquid and are from emerging market economies, where it often faces less competition and achieves greater revenue and take rates on its FX and payments products and services. In these markets in particular, currency volatility can also result in the Group being able to obtain higher take rates for its FX and payments than in more developed markets. As a result, the Group's financial results could be negatively impacted by significantly improved liquidity or other conditions in these markets, and any resulting improvements in the stability or availability of any such currencies, which might reduce the Group's take rates from its FX or payments. For example, certain of the emerging market currencies in which the Group trades have historically contributed a higher portion of the Group's revenue compared to the volumes transacted, due to the lower liquidity and resulting higher fees the Group charges to customers in connection with such trading. Specifically, in the three years ended 31 December 2022, the Group's revenue generated from NGN (Nigerian Naira), XAF (Central African Franc) and XOF (West African Franc) FX and payments was £46.1 million, £14.1 million and £13.9 million, respectively, representing 23%, 7% and 7% of the Group's revenue respectively. However, the volume of these trades represented 2%, 5% and 11% of the Group's total volume, respectively, in those periods.

From mid-2021 through 31 March 2023, the Group's revenue has benefitted from political and market dynamics that constrained the availability of hard currencies (i.e. USD, EUR and GBP) in Nigeria. Because the Group, its Local Bank Account Network and its other local third party liquidity providers were able to offer a reliable source of hard currencies in exchange for Naira, the Group's revenue benefitted as the Group was able to obtain higher take rates as a result of increased demand and high volumes of hard currency flows into Nigeria. While a new government has been elected in Nigeria, the political and market conditions have continued to align with the Group's FX capabilities in Nigeria, allowing the Group to continue to charge high take rates. A new governor for the Central Bank of Nigeria may be appointed in June 2023, which could result in a change in the FX policy in Nigeria which has benefitted the Group since mid-2021. In the event these changes occur, the Group will likely experience a decline in the take rate it can obtain on Naira and the volume of Naira-related FX transactions it performs. A significant decline in demand

for products or services related to the Group's emerging market currencies and other similar currencies, or a change in macroeconomic, political or other conditions that result in greater liquidity and reduces the group's competitive advantages in respect of these currencies, could have a material adverse effect on the Group's results of operations.

The Group could also experience a decrease in demand for its products or services if demand for international aid and/or remittance payments decreases. International aid flows from developed to less developed economies tend to decrease in connection with macroeconomic improvements in the emerging markets in which the Group operates, or as a result of budgetary constraints, changes in developed market governments, or other factors.

While the Group's take rates have historically benefitted from conditions that increase the volatility of the currencies in which it offers its products or services, extreme macroeconomic events, such as extreme currency devaluation, political developments that lessen the Group's competitive advantage, armed conflict or civil disorder, or the introductions of currency controls or sanctions, could also limit the demand for certain of the Group's currencies entirely or significantly harm its take rates. Any such developments could then increase pricing and settlement risk for the Group's FX and payments products and services, or make it impracticable or impermissible for the Group to continue to provide its products or services in certain markets.

Furthermore, the Group could be negatively impacted if the macroeconomic environment following the failure of Silicon Valley Bank negatively impacts its customers or their liquidity and ability to engage in transactions. These events have elevated concerns among market participants about the liquidity, default, and non-performance risk associated with banks, other financial institutions, and the financial services industry generally, and have added to already adverse market and economic conditions. In addition, although the Group does not engage in maturity transformation (i.e., funding long-term projects with short-term funds) and has a different balance sheet and funding profile from banks that hold long term deposits, if confidence in the banking sector more generally were to decrease, this could also cause a decrease in public confidence in the Group, which could cause a reduction in its business and negatively impact its results of operations.

The Group has in the past, and could in the future, experience a significant reduction in the provision of its products or services or a significant decline in take rates in certain markets as a result of macroeconomic or political events. The full extent to which current or future macroeconomic conditions and political events will impact the Group is uncertain and difficult to predict, but any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group relies upon certain highly skilled employees and it may not be able to attract, retain, and develop the highly skilled employees it needs to support its business and future growth.

The Group's performance depends on the continued services and contributions of its senior managers and highly skilled employees, particularly its sales, trading, compliance, network management, product management, engineering and technical employees. The loss of services of the senior managers or other key employees could significantly delay or prevent the achievement of the Group's strategic objectives. The loss of key business and systems knowledge upon the departure of key individuals could result in material knowledge gaps within the business. Furthermore, training of replacement employees could take significant time due to the use of manual and bespoke processes that make training more time-consuming and prone to error. From time to time, there may be changes in the Group's senior managers resulting from the hiring or departure of senior managers, which could disrupt its business. The loss of the services of one or more of the Group's senior managers, or other key employees, for any reason could affect the Group's operations and performance, could require significant amounts of time, training and resources to find suitable replacements and integrate them within the Group's business, and could negatively affect its corporate culture, any of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

In addition, competition remains intense for highly skilled employees in the fields which are key to the Group's business and growth strategy. The specialised skills the Group requires can be difficult to acquire and, as a result, such skills are in short supply, and employees who possess such skills may be more expensive to employ and retain, especially in a highly concentrated hub such as London, which provides other opportunities. An inability to hire and train employees at a sufficient speed, or to retain qualified employees once hired, could materially hinder the Group's business by, for example, delaying its ability to grow the volume of its transactions, develop new products and services or to make technological enhancements, thereby impairing the success of the Group's strategy. Even if the Group is able to maintain its employee base, the resources needed to attract and retain such employees, as well as to update their skills as the regulatory, technological or other demands of the Group's industry change, could become increasingly costly. For example, competition for employees with the requisite qualifications and specialised skills in the United Kingdom, and elsewhere, could intensify as a result of a high demand for employees with key expertise, driven by the impact of the withdrawal of the United Kingdom from the European Union ("**Brexit**"), the coronavirus ("**COVID-19**") pandemic or other global market factors. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may fail to detect, deter, or prevent employee misconduct or employee errors and may suffer financial loss either directly or as a consequence of damage to its reputation.

The Group operates in an industry where a reputation for integrity and the maintenance of customer trust and confidence are paramount and, as a result, safeguarding its professional reputation and preventing employee misconduct or employee errors are critical to its business. The Group is exposed to the risk that employee errors or misconduct, managerial errors, operational failures, regulatory investigations, press speculation and negative publicity (whether true or not), inadequate services, or settlement errors, amongst others, could impact its brand and reputation. Furthermore, should the Group fail to comply with its regulatory obligations in the United Kingdom or in any other applicable jurisdiction, the regulators of the Group's business may take enforcement action against the Group for any such breach, which could result in fines and also adversely impact the Group's reputation.

The principal risks faced by the Group relating to employee misconduct and errors include:

- **Employee error**—Failure by an employee to properly execute a function, properly enter or manage data, or otherwise perform their assigned role, resulting in significant economic loss or damage to the Group's reputation;
- **Managerial or process errors**—Failure by management to anticipate or ensure the appropriate resources and employees are in place to process work and enable efficient operation of internal controls, or failure in internal processes to implement controls, transfer the knowledge of how to correctly process transactions to new employees or to detect or rectify issues. Managerial and process errors may also arise due to a reliance on manual processing as a result of non-automation on a particular process or area. Furthermore, employee misconduct or errors could also occur as a result of gaps in the Group's controls or its documentation surrounding end-to-end processes that clearly articulate key internal control points, including failure of the Group's systems, management or employees to detect illegal customer activity. See "*Regulatory and Legal Risks—The Group's policies, procedures and practices, including those related to risk management, may not be effective or may be violated*";
- **Employee misconduct**—Misconduct including fraudulent trading activity, employees failing to escalate known issues or errors in a timely manner, customers or employees hiding unauthorised activities or information from the Group, improper or unauthorised activities taking place on behalf of customers (including non-adherence by employees to approved credit limits, and/or adherence to Group's policies and approval authorities relating to risk management), improper use of confidential information, the use of improper marketing materials, or the inappropriate use of authority or influence by current or former employees; and
- **Settlement and payment errors**—The unauthorised transfer of funds or the use of incorrect settlement instructions leading to loss, misrouted funds, double payments, or other issues.

While the Group has developed and implemented internal policies, procedures and practices designed to prevent or mitigate employee misconduct or employee errors, such policies and procedures may not be followed, or prove effective in all instances. It is not always possible to identify and deter misconduct or errors by the Group's employees and the precautions the Group takes to detect and prevent this activity may fail to be effective in controlling unknown or unmanaged risks or losses. In addition, until the Group's platform becomes more automated, the Group remains dependent on manual and bespoke processing for a number of its transactions or customers, particularly when the Group on-boards strategic customers that may require bespoke arrangements, which can increase the likelihood of errors. The discovery of misconduct or fraudulent activities by any of the Group's employees could result in significant negative publicity in relation to such misconduct and harm the Group's reputation or its relationships with regulators. Should any of the foregoing employee misconduct or an employee error occur, this could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group's revenue could be adversely impacted if it fails to retain existing customers.

The Group's business depends on its ability to retain existing customers. The Group provides nearly all of its services to customers on an on-demand basis, and its customers have no contractual or other obligation to use the Group's products and services, and make no commitment on minimum trading volumes. As a result, there is very limited contractual or legal assurance that customers will continue to use the Group's products or services. For the year ended 31 December 2022, the Group's top 15 customers represented approximately £54.0 million, or approximately 50%, of its total income, and its top three customers represented approximately £20.1 million, or approximately 18%, of its total income. Failure to retain these and other significant customers could negatively impact the Group's business and could contribute to significant fluctuations in its performance. A given customer's FX and payments activity with the Group could decrease or cease for a variety of reasons, including:

- the customers' level of satisfaction with the Group's products and services;
- the pricing and quality of the Group's products and services;

- the pricing and quality of competing products or services, and the ability to obtain more integrated product and service offerings from the Group's competitors;
- the effectiveness of the Group's support services;
- the effects of global economic conditions;
- other economic needs or pressures being experienced by the customer, including limitations on liquidity, or liquidation or bankruptcy; or
- a reduction in an individual customer's demand for FX or payment products and services.

Furthermore, certain of the Group's customers may find it easy and relatively low-cost to switch to another FX or payments provider. The Group's large customers often have arrangements with multiple FX trading and payments service providers (primarily in order to mitigate against risks such as system downtime, delayed response time or default by a payment service provider), and as a result these customers could easily choose to shift business away from the Group on little or no notice. In addition, certain customers may decide to expand their own operations to take in-house, or compete with, the Group's products and services by attempting to replicate the Group's infrastructure (particularly in the markets where such customers have the largest flows) and thus reduce or eliminate their demand for the Group's products and services in such markets.

Any failure by the Group to retain existing customers for any of the foregoing reasons or otherwise could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is exposed to counterparty credit risk whereby the failure of counterparties to meet their financial obligations could adversely affect the Group's business, financial condition and results of operations.

The Group is exposed to the risk that the local banks where it holds accounts in its own name, as well as liquidity and other payment providers, customers and other third parties will fail to meet their obligations to the Group or to other parties, resulting in financial loss to the Group. This risk includes the risk of failure by the local banks where it holds accounts, or the inability of the Group's liquidity and other payment providers, customers and other third parties to fulfil their contractual obligations and honour commitments to the Group to deliver funds to end recipients of the Group's payments, including due to the insolvency of these parties. As a result of the local currencies the Group holds in its local bank accounts, the Group is exposed to credit risk of the local banks and of the liquidity and other payment providers where it has bank accounts. The Group has significant deposits of its own funds and its customers' funds with local partner banks and other financial institutions around the world to facilitate the provision of the Group's products and services. In the event of the insolvency, liquidation or administration of one or more of these financial institutions, the Group might not be able to fully recover the assets it has deposited in a timely manner, or at all. Furthermore, the resulting loss of any relationships with local banks, or with liquidity or other payment providers could impact the Group's ability to have liquidity in the relevant currency.

In addition, the Group is exposed to a degree of credit risk from certain of its customers. In line with the Group's risk management policies, some of the Group's revenue is generated through customer trading activities that are not pre-funded, including bank overdrafts and trade finance and certain FX trades, which expose the Group to credit risk in the event that the customer does not subsequently make repayment when contractually required. Failure of such customers to repay these advances constitutes a credit risk to the Group. In some cases, the Group will require credit mitigants (such as cash collateral or letters of credit from other banks) as a condition of credit approval to customers to reduce the risk according to the Group's risk appetite, but there is no guarantee that these credit protections will be effective. Furthermore, the Group uses various methods to screen potential customers and establish appropriate credit limits, but these methods cannot eliminate all potential customer credit risks and may not always prevent the Group from approving customer applications that are fraudulently completed. During a declining economic environment in particular, the Group may experience increased exposure to defaults from its counterparties. These and similar events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group faces risks associated with its payment and FX trading activities, which may have a material adverse effect on its business.

A significant portion of the Group's revenue is generated from its FX trading services and the FX trading related to its payments services. In connection with these activities, the Group generally participates in spot FX trading for its customers, a large proportion of which are not pre-funded by its customers. For the trades which are not pre-funded by customers, the Group is exposed to a degree of operational and credit risk in the event the customer does not subsequently provide the funds for the trade. In addition, the Group is exposed to overnight foreign exchange pricing risk for certain trades that are quoted later in the day or for which the Group has pre-positioned currency for anticipated trades the following day. Although generally these trades can be unwound and a second opposite but matching trade can be found to close the Group's market exposure when necessary, there is a risk that this will not be

immediately possible and prices could move to the Group's detriment before such a trade is unwound. The Group is also exposed to some minimal trading risks from its bank overdrafts, trade finance and treasury products and services.

In addition, the success of the Group's trading activities principally depends on the skill of the Group's employees and the sophistication of its technology platforms in efficiently executing trades in line with the Group's risk management policies and procedures and making trades while ensuring the availability of sufficient funds to prevent overdrafts. If the Group's employees or its technology fail to execute these trades effectively, this could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. Furthermore, while the Group has position limits and other risk management policies in place, the Group engages in FX trades with currencies from countries with less liquidity or where there is significant price volatility, which exposes the Group to certain increased risk of changes in spot prices between the time of pricing or arranging FX trades with customers and the settlement of such trades. In the event of a significant and sudden change in the price of the currency the Group offers to its customers versus the price it is able to obtain the currency, this could have a material adverse impact on the Group's profits, particularly if there were a significant and sudden change in price and a large volume of trades conducted in that currency. Furthermore, it is possible that the assumptions and limits contained in the Group's risk management policies may fail to adequately protect the Group from FX trading risks in the event of major market disruptions or volatility. For example, while the Group's risk management policies set certain total exposure limits and other limits with respect to certain volatile currencies, in the event of rapid market-wide changes in rates to a number of currencies to which the Group were exposed, the Group could experience trading losses with respect to any positions that were not covered. Changes in FX rates also may result in reduced overall trading activity by customers, and reduce the Group's revenue from trading transactions. The Group also faces the risk of delayed settlement by its customers due to internal processing issues, geopolitical issues or weather related disruptions. Delays in customer settlement can also cause reputational issues for the Group for not delivering on time and may also require the Group to hold additional capital resources to cover the risk.

Any delays in trades caused by operational issues, employee errors or customer failures could result in significant costs to the Group or a loss of revenue and could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may face challenges in expanding its products and services in its existing markets or into new geographic regions, which could adversely affect its potential future growth.

The Group plans to continue expanding the volume and depth of its products and services offered in its existing markets as well as to reach customers in new geographic regions, including both through expansion of its FX and payment products and services, as well as in some instances through expansion into new markets. The Group currently faces and will continue to face risks relating to expanding its offering in its existing markets and in entering markets in which it has limited or no experience and in which it may not be well-known. The Group has an international sales policy for its entities which conduct sales activities (the "**International Sales Policy**"), which the Group's sales team is required to comply with in respect of customer solicitation. It also requires certain legal and compliance due diligence checks ahead of offering products and services to new customers, or in new geographic regions. Offering products and services in new geographic regions often requires the expenditure of significant time and financial resources, and the Group may not be successful enough in these new geographies to recoup its investments in a timely manner, or at all.

Furthermore, the Group has applied for an EU payments licence in the Netherlands and is exploring options for a physical presence in Asia Pacific or the Americas. When the Group establishes local offices or branches in new markets, it may require local approvals and/or licences, or an agreement with a local financial institution to operate. The Group may be unable to obtain or maintain the necessary approvals and licences to operate in certain markets and/or expand its product and service offering in line with its strategy. For example, in the event that the Group does not receive its EU payments licence in the Netherlands in the second half of 2023 as anticipated, the Group would not be able to engage in direct sales efforts to win additional customers within the European Union until it obtains a licence that permits it to engage in customer solicitation.

Furthermore, the Group intends to explore options for opening a bank branch in the United States, to enable it to directly clear USD and to apply for CHIPS membership. The timing of being able to open a bank branch in the United States is uncertain, and is likely a longer-term strategy. The Group would be unlikely able to open a US bank branch while it is controlled by a significant shareholder that is not predominantly engaged in banking activities outside the United States as a result of rules and regulations under the US Bank Holding Company Act of 1956, and there is no indication that its Principal Shareholder is expected to go below the relevant US regulatory shareholding threshold sufficient to divest control of the Group under such regulations. Furthermore, such options would also be subject to approval from the applicable US regulators.

In addition, in the markets where the Group provides products and services but has not established local offices, it may be unable to find or maintain suitable relationships with local banks, liquidity and other payment providers and

other partners that are required so that it can operate in such markets. This could restrict the Group's ability to grow its business and have a negative impact on its revenue growth in the future. Accordingly, the Group's efforts to deepen its global operations in additional markets, including in Latin America and Southeast Asia, may not be successful, which could limit its ability to grow its business or could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Upon entry into a new market, the Group may fail to attract a sufficient number of customers, inadequately anticipate competitive conditions, encounter legal or regulatory problems, face fines or penalties for any failure to appropriately address new laws or regulations or face difficulties in operating effectively in these new markets. In particular, the expansion of the Group's products and services in its existing markets or in new markets exposes it to risks relating to:

- finding reliable local banks at which to open accounts or liquidity and other payment providers to work with in a cost-effective manner and at the Group's service level standards;
- additional process complexity in the Group's processes and controls, which increases the risk of processing errors;
- increasing pressure on the Group's platform and technology, including its own servers and technology of third party providers;
- increased costs and difficulty protecting intellectual property and sensitive data;
- risks resulting from fluctuations in FX rates;
- any exchange control, restrictions on trading local currencies or related regulations in place in the new market;
- political instability;
- tariffs and other trade barriers;
- lack of acceptance of its products and services;
- staffing and managing additional cross-border operations, particularly with respect to finding and retaining senior management and risk personnel that can advise about offering products and services in new geographies;
- increased expense related to localisation of its products and services, including language translation and the creation of localised agreements;
- increased and potentially conflicting regulatory compliance requirements, including with respect to data privacy and security;
- increased regulatory scrutiny and potential regulatory challenges that result from it;
- increased expense to comply with laws and legal standards, including laws that regulate pricing and promotion activities and the import and export of information technology;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- requirements to incur additional capital expenditure;
- new application of, and potentially adverse tax consequences from, new tax regimes, including as a result of the complexities of foreign value added tax systems, restrictions on the repatriation of earnings and changes in tax rates;
- increased financial accounting and reporting burdens and complexities; and
- challenges caused by distance, language, and cultural differences.

These and similar events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group's 2023 and mid-term targets and the assumptions and judgements underlying these targets may prove inaccurate, and as a result, the Group may not achieve its targeted financial results.

The Group has experienced rapid growth in its FX and payments volumes and revenue, and as a result has developed its business plan and resulting 2023 and mid-term targets (collectively, the "**targets**") based on trends and assumptions which may prove inaccurate. The Group's rapid growth subjects it to a number of risks and uncertainties in respect of the Group's ability to plan for and predict future growth, and execute its strategy. The Group's targets include certain assumptions regarding the ability to increase the Group's volume of FX and payments transactions through capturing additional market share, acquiring new customers (in particular, major market bank customers), and sufficiently increasing its Local Bank Account Network in parallel with its anticipated volume growth, thereby increase total income. Its targets also generally assume it will be able to retain existing customers, achieve an investment grade rating (allowing it to attract additional new customers), that the Group will be able to expand its

product and service offerings, and that relevant currency exchange rates will remain relatively constant. There can be no guarantee that these assumptions will occur as anticipated or that the Group will be able to achieve its targets within the timescale envisaged, or at all.

In addition, in line with its growth strategy, the Group has applied for a payments licence in the Netherlands which will, if obtained, allow the Group to engage in direct customer solicitation and marketing activities to reach new customers in the European Union, which the Group believes will contribute to new customer acquisitions for the Group and thereby contribute to the Group's target for total income growth in the mid-term. A failure to obtain this regulatory permission in the Netherlands, or any significant delays in obtaining this licence, could adversely affect the Group's ability to grow and attract new customers based in the European Union, which could negatively impact the Group's ability to reach its mid-term targets.

Implementing the Group's strategy to achieve its targets will also require the Group's senior managers to make appropriate operational and staffing decisions, including hiring additional qualified sales team members and other FTEs at the appropriate times, anticipating customer trends and needs across a range of financial products and services (including scaling the Group's platform when needed to accommodate a greater volume of transactions) as well as structuring and pricing its products and services competitively. If the Group has not accurately forecast customer demand and the size and growth of its markets, its targets may fail to be achieved, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Fraud could adversely affect the Group's business, results of operations, financial condition or prospects.

The Group faces the risk of regulatory sanction, reputational damage and financial losses due to fraud, crime and misconduct. Internal and external fraud remain a risk for the Group, in forms which continue to evolve in sophistication and complexity. Fraud may arise from customer fraud as well as through collusive behaviour where employees may be complicit, and these activities may result in financial losses. As the Group grows its operations and its platforms, the risk of impersonation and breaches of logical access management, which could result in regulatory sanctions, reputational damage or financial loss, is heightened. Any instances of fraud can lead to fines and impact the Group's reputation and/or could cause it to be viewed as being less secure than other banks. Should the Group fall victim to fraudulent activities or be unable to detect or mitigate fraudulent activities, this could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group competes in markets which include competition from both regulated banks and other financial entities. If the Group fails to compete effectively, it could lose market share and its growth prospects could be negatively impacted.

The Group competes primarily in the B2B global, cross-border FX and payments market, which currently is dominated by traditional banks. A key assumption underlying the Group's growth targets is its expectation that it will continue to gain market share in the B2B global, cross-border FX and payments market from traditional banks and other non-specialist competitors. There is no assurance that the Group will win market share from traditional banks or that these traditional banks or global clearing banks will not compete directly with the Group.

The Group also faces the risk it will lose customers as a result of competition, which could come from existing customers or other third party partners deciding to compete against the Group. For example, fintech companies, some of whom are existing customers of the Group, may seek to build local payments and FX connectivity themselves and eliminate their need for the Group's products and services, which could limit the Group's ability to gain market share. In addition, the Group also provides services to a number of customers, including other FX and payment providers, that have in the past and could in the future decrease their demand for the Group's services as a result of introducing their own infrastructure and services that compete directly with the Group's products and services, thereby eliminating their need for the Group's products and services. Furthermore, the Group faces the risk that its partners among third party financial institutions, local banks, liquidity and other payment providers could directly access one or more of the markets to which the Group sends FX and payments at a lower cost and at an equal or higher quality of service level as compared to the Group. Should any of these parties choose to directly compete with the Group and/or reduce the volume of currencies and service levels provided in support of the Group's business, it could put the Group at a competitive disadvantage.

Furthermore, other specialist players in the markets in which the Group competes may succeed in improving their product offering and reliability or invest more in sales, product development or M&A, and thereby become more attractive to customers. These competitors may also improve their performance in the sector and/or be more effective than the Group at capturing any shifts from traditional banks to specialist players. Moreover, certain of the Group's competitors have more recognised brands, which may engender greater customer confidence in the safety and efficacy of their products and services. Other competitors may be able to offer a broader array of services than the Group, including core clearing and lending services, which can ultimately be used to influence customers' selection of a provider and their purchasing decisions on FX and payments. New entrants may also enter the market and offer

competitive products and services. If the Group is unable to continue to differentiate itself from and successfully compete with its competitors, it could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may also face pricing pressures from competitors. Some potential competitors are able to offer customers more customised products or services or lower prices for similar products and services in certain local markets by cross subsidising their FX trading or payments services through other products and services they offer, or by focusing in the short-term on trading particular currencies to gain market share. Such competition may result in the need for the Group to develop and offer similar products and services or to reduce the pricing it offers to its customers, either of which could reduce its profitability. Any failure to successfully compete could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group's success depends on its ability to continue to provide and to develop products and services to address the rapid and significant technological changes in the evolving market for FX trading and payments services.

The Group must continue to enhance and improve its FX trading and payments platforms. The B2B global, cross-border FX and payments industry is characterised by significant structural changes, increasingly complex systems and infrastructures, changes in customers' needs and preferences and new business models. If new market standards and practices emerge, and if the Group's competitors or new entrants to the market provide faster, more competitively priced or reliable FX or payments services the Group could be harmed. The Group's future success will depend, amongst other things, on its ability to:

- enhance its existing products and services;
- automate certain of its products and services and limit its dependence on manual and bespoke processes;
- respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis, while also taking into account its existing customers' requirements;
- develop and/or license new products and technologies that address the increasingly sophisticated and varied needs of its customers and prospective customers; and
- continue to attract highly skilled technology employees to implement enhancements and develop new products and services.

Furthermore, the Group also faces risks of not being able to successfully develop new technologies and processes or to maintain certain existing technologies, which has in the past and could in the future result in the Group becoming reliant on manual or bespoke processes to address certain customer needs which cannot be easily updated or offered to other customers. If the Group faces material delays in introducing new products, services or enhancements, its customers may forego the use of its platforms and use those of its competitors. For example, the emergence of cryptocurrencies, central bank digital currencies and stablecoins, and organisations (a number of which are well funded) who sell and utilise these technologies, could disrupt the B2B global, cross-border FX and payments markets by creating alternative routes for cross border payments and increasing competition by expanding the services and products they offer to those of the Group, which could hurt the Group's business if it is not able to adapt, adopt or modify its existing products and services or compete effectively.

The Group can provide no assurance that it will be able to, without significant cost or at all, implement new technologies, adapt its technology and transaction-processing systems to customer requirements or emerging industry standards or respond in a timely manner to changing market conditions or customer requirements. Moreover, in making technological updates, the Group often relies not only on its own initiatives and innovations, but also on third parties. The Group may fail to accurately predict or respond effectively to developments or obtain support from third parties, when needed. Furthermore, even if the Group is able to develop and offer new products or services, there is no assurance that any new products or services the Group develops and offers to its customers will achieve commercial acceptance. Additionally, changes in laws or regulations with respect to information technology, data transmission and the Internet could affect the Group's ability to expand its technological footprint or to continue using its existing technologies. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Damage to the brand, image and reputation of the Group or its Principal Shareholder could materially adversely impact the Group's business, financial condition and results of operations.

The Group has developed a strong and trusted brand that has contributed to the success of its business. The Group's brand is predicated on the idea that customers will trust the Group and find value in building and growing their businesses with its products and services. Maintaining, protecting, and enhancing the Group's brand is useful in expanding its customer base, its Local Bank Account Network and its connections with liquidity and other payment providers, as well as increasing customers' engagement with the Group's products and services. This will depend

largely on the Group's ability to maintain trust and provide and continue to provide high quality and secure products and services.

Any negative publicity about the Group or its Principal Shareholder, even if unfounded, could adversely affect the Group's reputation with customers, and their confidence in and use of its products and services. Adverse publicity in the markets in which the Group operates, particularly regarding the quality and reliability of its products and services, its management, its risk management processes, its ability to effectively manage and resolve customer complaints, its privacy and security practices, litigation, regulatory enforcement or other activity, the experience of customers with its products or services, and other actions (including the actions of its customers and other users of the Group's products or services), could potentially be damaging. Harm to the Group's brand and reputation can arise from many sources, including failure by the Group, its Local Bank Account Network, its liquidity and other payment providers or third parties that provide services for the Group to operate to satisfy expectations of service and quality; inadequate protection of sensitive information; compliance failures and claims; litigation and other claims; employee misconduct; rumours or false stories; negative publicity (even if unfounded) about its Principal Shareholder; and misconduct by its partners, service providers, or other counterparties. The Group has been from time to time in the past, and may in the future be, the target of incomplete, inaccurate, and misleading or false statements about the Group, its business, and its products and services that could damage the Group's brand and materially deter people from adopting its products or services. In addition, the Group undertakes certain sales and marketing activities to promote its brand. If the Group is unable to market and promote its brand effectively, its ability to acquire and maintain customers could be materially harmed. If the Group does not successfully maintain a strong and trusted brand, this could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Changes in interest rates and continued inflation may adversely affect the Group's net interest income and results of operation.

The Group is subject to interest rate risk. In the year ended 31 December 2022 and in the three months ended 31 March 2023, £6.8 million, or 6.2% of the Group's revenue, and £5.4 million, or 13.1% of the Group's revenue, respectively, was generated from net interest income. Within this same period, 21.8% and 10.4%, respectively, of the Group's total interest income calculated using effective interest rate was from interest on loans and advances. Although an increase in interest rates may increase net interest income for the Group, a steep rise in interest rates could reduce the demand for credit from the Group's customers (and thus result in a reduction to the Group's interest on loans and advances), and would also be expected to increase the Group's interest expenses (which will offset gains in interest income). A steep reduction in the level of interest rates may adversely affect the Group through, among other things, a lower interest margin and net interest income, a decrease in demand for deposits and an increase in competition in deposit taking from customers.

The Group has continued to experience inflation in the Group's markets, and in particular in the United Kingdom where the Group incurs most of its expenses, the Group could be required to increase its employee salaries to address inflation. While the Group could benefit from a rise in net interest income during times of increased interest rates, such increase may not keep up with any corresponding increases in employee salaries as a result of inflation, which could impact the Group's profitability. As a result of these factors, significant changes in interest rates could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group could be subject to increases in transaction and processing fees or taxes, which could challenge the Group's profitability and put upwards pressure on its prices.

Certain of the local banks the Group holds accounts with, liquidity, other payment providers or other third parties charge processing fees related to the provision of certain services, which may be increased from time to time, and with little prior notice. Governments could also mandate a tax or require additional taxes or fees to be imposed upon the Group's customers, or otherwise impact the manner in which the Group provides its products and services. Any such increase in processing fees or taxes could increase the Group's operating costs and put upwards pressure on its prices. In the event that the Group is not able to pass its cost increases on in the form of higher prices for its products and services, this could negatively impact the Group's profit margin and result in losses in revenues and customer retention. Any of this could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

A downgrade in the Company's credit rating could have an adverse effect on the Group's access to liquidity sources and funding costs.

In order to execute FX trades for its customers, the Group needs the ability to source sufficient liquidity to execute these trades in various markets. The Group has credit lines with various banks to facilitate its trading activities and these credit lines are particularly important in the G10 currencies. These currencies, which are some of the most

heavily traded currencies in the world and tend to be highly liquid currencies, offer relatively low take rates to the Group for its trading activities in these currencies. Downgrades in the Group's credit ratings, or their review or revision to a negative outlook, could negatively impact the Group's attractiveness as a counterparty for liquidity providers and thereby require the Group to accept less favourable settlement terms. This could decrease the efficiency of the Group's settlement process and/or decrease the Group's take rate on any such trading activity. It could also make certain trades impossible or too costly for the Group to execute, resulting in loss of these trades to competitors who might have better credit ratings and the ability to obtain more favourable credit lines or financing terms. A downgrade could also increase the Group's current or future borrowing costs if the Group seeks to obtain debt. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Increasing scrutiny and changing expectations from investors, customers, regulators and the Group's employees with respect to the Group's environmental, social and governance ("ESG") practices may impose additional costs on the Group or expose it to new or additional risks and the ESG metrics the Group uses to measure itself may not prove to be effective measures of ESG compliance or may come into question.

There is increased focus, including from governmental organisations, investors, employees and customers, on ESG issues such as environmental stewardship, climate change, diversity and inclusion, racial justice and workplace conduct. Negative public perception, adverse publicity or negative comments in social media could damage the Group's reputation if it does not, or is not perceived to, adequately address these ESG issues. Any harm to the Group's reputation could impact employee engagement and retention and the willingness of its customers and its partners to do business with the Group.

In addition, organisations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Unfavourable ratings of the Group or its market, a failure by the Group to get certified as a B Corporation ("**B Corp**") under the standards of B Lab UK (a non-profit organisation that assesses and verifies the social and environmental performance, accountability and transparency of businesses that aspire to use their profits and operations for a positive impact) or a downgrade in the Group's gold sustainability rating awarded by ecovadis (a popular provider of business sustainability ratings), may lead to negative investor, customer or employee sentiment, which could lead to the diversion of investment or business to other companies or industries. Moreover, ESG ratings, including ecovadis and B Corp ratings, may vary among the different ESG ratings organisations and are subject to differing methodologies, assumptions and priorities used by such organisations to assess ESG performance and risks. There is no guarantee that the methodology used by any particular ESG rating provider will conform with the expectations or requirements of any particular investor or customer, or any present or future applicable standards, recommendations, criteria, laws, regulations, guidelines or listing rules. ESG rating providers may revise or replace entirely the methodology they apply to derive ESG ratings or they may employ methodologies which are not transparent, any of which could cause confusion among investors and customers. Such methodologies may have difficulties in comparing information on the Group's ESG performance with other industry participants. As a result, ESG ratings of the Group are not necessarily indicative of the Group's past, current or future commitment to, or performance in respect of, ESG topics. Further, ESG ratings may have limited, if any, utility for investors in assessing the Group's past, current or future financial performance. As a result, any negative ESG related attention, a failure to live up to current standards, achieve its ESG targets (including receipt of B Corp status) or negative reports around the metrics the Group uses to assess its ESG performance (including the ecovadis rating or B Corp status), could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Furthermore, the Group is also subject to regulatory oversight with respect to climate-related matters. In April 2019, the PRA published Supervisory Statement 3/19 "Enhancing banks' and insurers' approaches to managing the financial risks from climate change". Among other things, the PRA expects banks such as CAB to embed the consideration of the financial risks from climate change in their governance arrangements, and incorporate the financial risks from climate change into existing financial risk management practice. In its January 2022 Dear CEO letter, the PRA explained that many firms had not made sufficient progress towards meeting its expectations in this regard and that from 2022 the PRA would incorporate supervision of climate-related financial risks into its core supervisory approach. There is a risk that the Group will not meet the PRA's current or future expectations or will not do so in a timely fashion; further, it is to be expected that the costs of meeting such expectations will increase over time. Any failure by the Group to monitor for relevant updates in this new and fast-moving sector could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The COVID-19 pandemic and any similar public health events could materially and adversely affect the Group's business, results of operations, financial condition or prospects.

The COVID-19 pandemic has impacted and could continue to impact the global economy, the Group's customers and markets and currencies in which the Group provides products and services. While the Group generally experienced

an increase in revenue during the COVID-19 pandemic as a result of an increase in aid flows and continued growth in demand for the Group's products and services, there can be no guarantee that the Group will see similar demand in future pandemics or public health events and could in the future experience a decrease in customer demand for FX trading and payments during such events, which could negatively impact the Group's profitability. In the event of further outbreaks or restrictive measures relating to the COVID-19 pandemic or other significant public health events, this could again depress economic activity and also contribute to a decline in the volume of global money movement, either of which could negatively impact the Group's revenue and have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group's insurance coverage may not be adequate.

The Group has insurance to cover, amongst others, losses related to public/ product liability, business interruption, cyberattacks, crime and civil liability, and directors' and officers' liability, however, the Group does not maintain full coverage under its insurance policies to cover all possible losses or damages, including for products, civil and criminal liability, and cyber issues. The occurrence of losses or other damages not covered by insurance could result in unexpected additional costs. For example, if the Group faces losses or liabilities in connection with cybersecurity issues, data security breaches, or significant service disruptions, it may not be covered by insurance to the full extent of damages that it faces. In addition, its insurance premiums may increase, which could have an ongoing impact on the Group's profitability, and it may be difficult to obtain sufficient coverage in the future, which could expose the Group to significant liabilities in the event of losses caused by incidents which are not covered. Any of the aforementioned issues could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group provides products and services to government entities and is subject to risks related to governmental transactions, which could increase the Group's costs or result in a loss of such government relationships in the event it does not meet the applicable requirements.

The Group's customers include certain government entities. As a result, the Group is subject to various laws and regulations that apply to companies doing business with certain governments. The laws relating to government transactions may differ from other commercial contracting laws and the Group's pricing terms with governments may include conditions that are not common among other customer agreements. In addition, the Group may be subject to investigation from time to time concerning its compliance with the laws and regulations relating to its government transactions. Its failure to comply with these laws and regulations may result in the suspension of these relationships, any contracts related to its services or administrative or other penalties, all of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group in the future may make acquisitions and investments, which could divert management's attention, result in operating difficulties and otherwise disrupt the Group's operations.

The Group may elect to engage in opportunistic acquisitions of other companies, businesses or assets, which could prove to be non-cost-effective or otherwise unsuccessful. Acquisitions involve numerous risks, any of which could harm the Group's business, including but not limited to: difficulties in integrating the technologies, operations, existing contracts and personnel of acquired businesses; difficulties in supporting and transitioning customers or suppliers of an acquired company; diversion of financial and management resources from existing operations or alternative acquisition opportunities; failure to realise the anticipated benefits or synergies of a transaction; failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance, accounting practices or employee or customer issues; risks of entering new markets in which the Group has limited or no experience; potential loss of key employees, customers and suppliers from either the Group's current business or an acquired company's business; inability to generate sufficient net revenue to offset acquisition costs; additional costs or equity dilution associated with funding the acquisition; and potential write-offs or impairment charges relating to acquired businesses. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Regulatory and Legal Risks

The Group is subject to extensive legislation and regulation in the United Kingdom, and the Group's failure to comply with existing or new laws or regulations could expose it to significant reputational damage, compliance and remediation costs, regulatory enforcement action and/or litigation.

CAB is a UK-regulated bank, which makes the Group subject to extensive regulation in the United Kingdom. The Group is also subject to other laws and regulations for its provision of FX and payments products and services in various jurisdictions into which it operates on a cross-border basis.

The Group is subject to strict capital requirements, regulation of financial services relating to its FX and payments, operations, AML regulations, and a variety of other laws and regulations that require significant resources and attention from Senior Management. Any failure to comply with applicable regulations could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In addition, CAB's banking licence makes the Group a preferred provider to many banks, financial institutions, governments and international development organisations and gives flexibility in product delivery, such as retaining customer funds and earning interest. Any loss of the banking license would have a material adverse effect on the Group.

Regulatory authorities in the United Kingdom, such as the PRA and the FCA, as well as those in other jurisdictions in which the Group conducts its business, apply a high level of scrutiny in supervising the financial markets and have developed (and continue to revise) a number of regulations and other measures designed to strengthen the integrity and stability of the financial system and to improve the operation of the financial markets. One such measure, the Recovery and Resolution Framework, includes a package of minimum early intervention and resolution-related tools and powers, which the UK resolution authorities may apply in respect of in-scope UK financial institutions, including CAB. If the regulatory authorities believed that the failure of CAB was imminent and chose to use their resolution power, for example to wind down the Group through the bank insolvency procedure, investors in the Company may experience a significant reduction in the value of their Ordinary Shares and could experience a total loss of their investment. UK authorities are also developing various regulatory reform initiatives in response to Brexit.

It is difficult to accurately predict the timing, scope or exact form of future regulatory initiatives or reforms which may apply to the Group's business, although it is widely expected that there will continue to be a substantial amount of regulatory change and a high degree of supervisory oversight of businesses like the Group which provide financial services. Any inability of the Group to adapt or deliver services that are compliant with new regulations could adversely impact its competitive position or have a material adverse effect on the its business, results of operations, financial condition or prospects. To date, the Group has been required to incur certain additional costs to comply with new regulations and, even if successful in adapting to new regulations, the costs of making those adaptations or otherwise complying with such regulations may result in substantial additional costs, thereby reducing profitability. There is also a possibility that further regulations and reforms may be introduced that may adversely affect the Group's business or may introduce requirements or rules that the Group is unable to meet.

Any significant changes in regulation may result in rules that are more onerous than the existing rules to which the Group is currently subject, and the Group may incur significant costs in establishing the necessary systems and procedures and compliance infrastructure, and in training its front office employees, to enable it to comply with such new regulations or other heightened restrictions. The Group's customers may also be subject to increased capital and liquidity requirements, which may cause a reduction in transaction volumes, overall business activity or increased costs in certain markets. This may in turn reduce the Group's revenue. Any of the foregoing factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group conducts business with and provides products and services to customers in numerous jurisdictions outside the United Kingdom, which can expose it to risks related to compliance, and could have an adverse effect on its business, results of operations, financial condition or prospects.

The Group's platform allows customers to send cross-border payments across more than 140 currencies in around 150 countries. The International Sales Policy sets out the parameters that must be adhered to by the Group in relation to approaching and offering services to current or prospective customers incorporated or established in more than twenty different countries outside of the United Kingdom. Since the Group's only regulated entity is within the United Kingdom, the International Sales Policy takes into account applicable law and regulations in a variety of jurisdictions and sets out the extent to which customer solicitation by an unregulated entity would be permitted in these other countries, including in the European Union, the United States, Switzerland, Hong Kong and Singapore, amongst others. The Group has created its International Sales Policy based on a variety of factors, including general market practice with respect to correspondent banking practices, legal advice received from local counsel, the Group's review of applicable laws and regulations and, in some cases, its discussions with local regulators. While many of the Group's services are provided in markets where the regulatory framework is well settled, the Group provides services in an evolving regulatory environment in a number of jurisdictions and there are a variety of different approaches by enforcement agencies in different countries, ranging from permissive to restrictive, as well as jurisdictions where the legal and regulatory framework is ambiguous or unclear. As a result, if the Group does not keep up with regulatory developments in all of the markets in which it operates, if a regulator interprets the relevant legal framework differently than the Group or if the Group fails to comply with applicable law and regulation, the Group could face regulatory fines or penalties for the products or services it provides, face limitations imposed by the regulator or be prevented from accessing the market by the regulator. Even if it were not prevented by a local regulator from accessing the market, in the event of any regulator engagement, the Group may decide to discontinue products or services in certain markets if challenged by a regulator or if it were found to not be in compliance in any of its markets. In cases in which the Group operates in jurisdictions and/or cross border in a manner that the Group believes

does not require it to be licensed or subject to regulation, the Group is exposed to the risk that a local regulatory agency or other authority interprets the laws and regulations differently and finds the Group in violation of local laws or regulations, including local licensing or authorisation requirements, and to the risk that the regulatory environment in a jurisdiction may change, including in circumstances where laws or regulations or licensing or authorisation requirements that previously were not enforced become subject to enforcement.

With respect to the markets to which the Group sends FX or payments, the Group utilises the international correspondent bank model in most markets and for most of its FX or payments and other products and services. Under this model, the Group sends FX or payments to a local regulated bank that executes the transfer to a customer's applicable account in the local country. However, in some transactions, the Group also relies on other regulated financial institutions, such as regulated mobile wallet providers, to deliver funds to destination accounts in the receiving country. While the Group has systems and processes in place to monitor the applicable AML and sanctions requirements with respect to its FX and payment products and services, it typically relies on the correspondent regulated bank or other regulated entity in both the receiving country to monitor and ensure compliance with the local country's laws and regulations with respect to money transmission in that country and also to provide "last mile" delivery of the FX or payments in the local country.

Failure by the Group, or by any third party providers, to comply with any of the laws, rules or regulations where the Group serves customers or provides products and services could result in material adverse effects on the Group's business, results of operations, financial condition or prospects, including as a result of regulatory investigations and enforcement proceedings, civil litigation, fines and/or other settlement payments. In addition, adverse publicity could damage the Group's reputation arising from its or the third parties it utilises failure or perceived failure to comply with legal or regulatory requirements, which could adversely affect the Group's ability to attract and retain customers. In addition, changes in existing rules or regulations, including the interpretation thereof, or the adoption of new rules or regulations, could subject the Group to increased cost and risk of regulatory investigation, fines or penalties or civil litigation. Any one or more of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

Systemic risk could adversely affect the Group's business.

Given the high level of interdependence between financial institutions, certain entities of the Group, including CAB, are and will be subject to the risk of actual or perceived deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions, in particular local banks where the Group holds accounts and FX spot and forward providers. Concerns about, or a default by, any one institution could result in reduced market liquidity, contribute to losses or defaults by other institutions which create a contagion effect, negatively impacting that institution's credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by certain Group entities or by other institutions.

For example, on 10 March 2023, Silicon Valley Bank ("SVB US") was closed and was taken into receivership by the US Federal Deposit Insurance Corporation ("FDIC"); on 12 March 2023, Signature Bank and Silvergate Capital Corp. in the United States were each taken into receivership. In addition, on 13 March 2023, The Bank of England announced that, in consultation with the PRA, HM Treasury, and the FCA it has taken the decision to sell Silicon Valley Bank UK Limited ("SVB UK") to HSBC UK Bank Plc. The following week, a syndicate of US banks injected \$30 billion in First Republic Bank; and later that same week, the Swiss Central Bank provided \$54 billion in covered loan and short-term liquidity facilities to Credit Suisse Group AG, each in an attempt to reassure depositors and calm fears of a banking contagion. On 19 March 2023, Swiss authorities facilitated the sale of Credit Suisse Group AG to UBS Group AG. On 1 May 2023, the FDIC seized First Republic Bank and sold it to JP Morgan Chase after it continued to struggle following its cash injection in March 2023. Despite the steps taken by regulators to protect depositors and banking systems, the follow-on effects of the events surrounding these recent liquidity concerns and closures of banks are unknown, but could include failures of other financial institutions to which the Group faces direct or more significant exposure, and may lead to significant disruptions to its operations, financial position and reputation or hurt the operations and liquidity of the Group's customers.

Widespread systemic risk of this nature, whether local, regional or global, could adversely affect the Group, financial intermediaries with whom the Group might interact on a daily basis or the Group's customers and thereby have a material adverse effect on the Group's ability to raise new funding and on its business, results of operations, financial condition or prospects.

The Group must comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations, and a failure to prevent or detect any illegal or improper activities fully or on a timely basis could negatively impact customers and expose the Group to liability.

The Group is subject to laws and regulations relating to corrupt and illegal payments, counter-terrorism financing,

anti-bribery and corruption, and adherence to anti-money laundering obligations (which include performing know your customer ("**KYC**") due diligence checks), as well as laws, sanctions and economic trade restrictions relating to doing business with certain individuals, groups and countries ("**AML/CTF laws**"). The geographical diversity of the Group's operations, employees and customers, as well as the local banks at which the Group holds accounts, the liquidity and other payment providers, suppliers, vendors and other third parties that the Group deals with, increases the risk that the Group's activities may be found to be in breach of AML/CTF laws. In addition, because these regulations are constantly changing, including as a result of the ongoing Russia-Ukraine conflict, monitoring compliance with evolving AML/CTF laws and sanctions rules can impose a significant financial burden on the Group and require significant technical ability.

The Group's ability to comply with AML/CTF laws is dependent on its detection and reporting capabilities, control processes and oversight accountability. The increasing sophistication of financial crime groups could also limit the Group's ability to track the movement of funds, thereby heightening the risk of breaching AML/CTF laws. The Group provides a significant amount of its products and services within emerging markets, some of which have an increased risk of encountering sanctioned individuals, groups or countries. The introduction of new sanctions and export controls has in the past and could in the future materially adversely affect the Group's business activities and investments, and impact its ability to continue operations or services to such customers, entities or countries on short or no notice, as well as expose the Group to compliance risk and reputational harm.

Furthermore, the Group is subject to the Bribery Act 2010 in the United Kingdom ("**UKBA**") and similar laws in other countries, which generally prohibit companies and those acting on their behalf from making improper payments to foreign officials for the purpose of obtaining or retaining business. Some of these laws, such as the UKBA, also prohibit improper payments between commercial enterprises. Because the Group's services are offered in many countries around the world, it faces risks associated with its obligations under the UKBA, and other national anti-corruption laws. Any determination that the Group has violated these laws could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Any breach of AML/CTF laws could subject the Group to significant penalties, revocation, suspension, restriction or variation of conditions of operating licences, adverse reputational consequences, litigation by third parties (potentially including class actions) or limitations on the Group's ability to do business, any of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group's policies, procedures and practices, including those related to risk management, may not be effective or may be violated.

The success of the Group's business is dependent on the effectiveness of its policies, procedures and practices, including those in relation to risk management, compliance, financial crime including money laundering, fraud, information technology security, outsourcing, supplier management and third party risk management, as well as others related to the amount of risk the Group is willing or able to take. However, the design and implementation of the Group's policies, procedures and practices rely on a combination of internally developed technical systems and controls, industry standard practices, observation of historical market behaviour, training of employees, and human supervision, any or all of which may fail to be effective in adequately protecting the Group from risk. In addition, the Group's policies, procedures and practices have been, and going forward will be, subject to human error or technological failure. There can be no assurance that the Group will set financial risk limitation parameters accurately, that its testing and quality control practices will be effective in preventing software or hardware failures in its monitoring and compliance systems, that it will have the capacity to conduct relevant checks and other procedures in a sufficiently timely manner or that its employees will accurately or appropriately apply the Group's policies, procedures and practices. In addition, to remain competitive, the Group may decide to adjust its trading and risk management strategies in an effort to achieve optimal outcomes with respect to the Group's risk management and revenue. However, the Group's adjustment of these strategies may not deliver an optimal outcome and may instead prove detrimental to the performance of the Group.

Failure to maintain effective compliance and reporting policies, procedures, and practices, or failure to attract and retain qualified employees who are capable of designing and operating such systems, increases the risk that the Group could breach applicable laws and regulations, thereby exposing it to the risk of litigation and investigations and possible sanctions by regulatory authorities. These authorities have broad powers to investigate and enforce compliance with applicable rules and regulations and to punish non-compliance, and any investigations or actions by such authorities could adversely affect the Group, both in terms of its reputation and to the extent fines and penalties are imposed.

Even if the Group's risk management policies, procedures and practices are effective in mitigating known risks, new and unanticipated risks may arise which the Group fails to rectify and prevent, as a result of which it may incur significant financial losses. These new risks may emerge if, among other reasons, regulators adopt new laws or change their interpretations of existing laws or third parties initiate litigation against the Group based on new, novel

or unanticipated legal theories. For any of the foregoing reasons, the Group's policies, procedures and practices may fail to prevent it from experiencing a material adverse effect on its business, financial condition, results of operations or prospects.

The Group regularly develops and implements new technologies, moves into new markets, opens new local bank accounts or enters into new local partnerships. These changes could subject the Group to additional regulations, which could increase its operating costs and restrict its capacity for growth.

As the Group develops and implements new technologies, it may become subject to additional laws or regulations that develop alongside new technology. Additionally, as the Group expands its business into new geographic markets and/or expands the depth and scope of its product and service offerings, it will become subject to additional laws, rules and regulations. This also may subject the Group to increased regulatory scrutiny, enhancing the risk that a regulator will challenge the framework under which the Group operates. Furthermore, from time to time the Group integrates new classes of customers and may continue to do so, which can also introduce the Group to additional regulations. Changes in the Group's regulatory environment may disadvantage the Group relative to its competitors operating under different regulatory environments, which may reduce the Group's relative competitiveness. Any of the foregoing factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group's prudential capital adequacy and liquidity requirements may affect its ability to grow its business or distribute profits.

As a result of CAB being a UK-regulated bank, the Group is required to hold sufficient capital and liquidity resources to meet its local regulatory capital and liquidity requirements. Regulatory capital and liquidity requirements are subject to change either through amendments to the relevant rules or their application, or through changes to the scale and nature of the underlying business or particular issues affecting the business. Any changes in the Group's regulatory status, or the imposition of new or increased regulatory prudential requirements on any of the Group's businesses in the future, could require an increase in the capital and liquid assets held in a regulated subsidiary. If regulators increase the Group's capital and liquidity resource requirements, if operational risk significantly increases, or if the Group fails to meet required capital and liquidity levels, this may serve to constrain the growth of the Group's business and operations, and the implementation of its strategy. In addition, if the Group fails to maintain its capital and liquidity resource requirements, regulators have the right to take wide-ranging action, including resolution.

If the Group is required to hold higher levels of capital or liquidity for any of the above or other reasons, it could be required to refrain from paying dividends to shareholders, limit its borrowings, issue additional shares (which could significantly dilute existing shareholders) or hold additional cash or cash equivalents on its balance sheet, thereby limiting the Group's operational flexibility and reducing the economic returns earned on its assets.

The Group is required to make certain periodic assessments of the adequacy of its capital and liquidity. Its assessment of its regulatory prudential positions requires management to make judgements, estimates and assumptions, in particular in respect of self-assessing capital and liquidity held with respect to credit, market (consisting mainly of interest rate and FX risk) and operational risk and in respect of liquidity, including intra-day liquidity. The Group regularly evaluates these estimates, judgements and assumptions based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, there can be no assurance that one or more of these judgements, estimates and assumptions will not be subsequently revised as a result of new factors or circumstances emerging, which could result in an actual or perceived shortage of capital or liquidity and could, in turn, have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is exposed to the risk of changes in, or interpretation of, tax legislation and to increases in the rate of corporate and other tax.

The Group, the local banks at which it holds accounts, and the liquidity and other payment providers that it works with, are subject to many different forms of taxation. Tax authorities around the world may not agree with the Group's determinations (or that of the local banks, liquidity and other payment providers that the Group works with) with respect to the application of tax law. Any disagreements with tax authorities could result in lengthy and costly legal disputes, fines, an increased overall tax rate applicable to the Group's taxable profit, and, ultimately, in the payment of substantial amounts for tax, interest and penalties, and potential criminal proceedings against the Group and its officers. If an agreement cannot be reached with tax authorities on the responsibility for any increased tax costs or filings, challenges by tax authorities may result in material financial exposures for the Group (for example, to the extent higher applicable tax expenses were not factored into Group pricing), the closure of markets where increased tax costs make the Group's continuation of products and services in those markets uneconomical, the termination of agreements with a local bank at which the Group holds an account, with a liquidity or other payment provider,

or litigation. The Group could also be adversely affected by the introduction of digital service taxes and/or VAT on its products and services. For example, the Group is currently facing tax audits in Tanzania regarding whether its products and services attract VAT and in Nigeria, and negative assessments could cause the Group to have to pay certain fees and penalties for its past products and services or increase its costs moving forward. Additional tax expenses could accrue in relation to previous tax assessment periods, which may be subject to a tax audit within the applicable statute of limitations, which may be extended due to lack of disclosure of transactions, negligence or fraud. As a result, the tax authorities could revise original tax filings or assessments and substantially increase the tax burden (including interest and penalty payments) on the Group's affected entities.

From time to time, governments may enact legislation that could increase the Group's effective tax rates. Currently, for example, various governments and international organisations, such as the Organisation for Economic Co-operation and Development and the European Union, are increasingly focused on tax reform and other legislative or regulatory action to increase tax revenue, particularly following the COVID-19 pandemic. If changes to applicable tax laws are enacted that significantly increase the Group's corporate effective tax rate, its net income could be negatively impacted. Any of the aforementioned could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group holds certain personally identifiable information relating to its customers and other counterparties and it and its partners may fail to appropriately handle this data, which could increase the Group's costs or adversely affect its business and reputation.

Although the Group's customer base is primarily institutional, in respect of certain of its products and services the Group electronically receives, processes, stores and transmits its customers' and partners' sensitive personal information, including bank account information and expense data. While the Group has contracts, policies and procedures in place which are designed to enable compliance with applicable data protection laws and regulations, the Group may nonetheless be exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of privacy or data protection laws. Additionally, there can be no guarantee that its employees, contractors, partners, data providers or agents will not violate such laws and regulations or the Group's contracts, policies and procedures.

Any perceived or actual failure by the Group, or by its third party service providers, to protect confidential data or any material non-compliance with privacy or data protection or other consumer protection laws or regulations may harm the Group's reputation, adversely affect revenue, reduce its ability to attract and retain customers or result in litigation or other actions being brought against the Group and the imposition of significant fines. Any such occurrence could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is subject to general litigation, regulatory disputes and government inquiries from time to time.

At any given time, the Group may be a party to litigation or be subject to regulatory disputes or government inquiries or claims arising out of the normal operations of its business. As a growing company with expanding operations, including entry into new markets, the Group may face increasing risks of claims, lawsuits and investigations, including proceedings by governments and other regulatory authorities, involving a wide range of issues, including privacy and data protection, tax, intellectual property matters, labour and employment, commercial disputes, services and other matters. The number and significance of these disputes and inquiries may further increase as the political and regulatory landscape changes, as the Group grows larger and expands in scope and geographic reach, and as the Group's operations increase in complexity. Although the Group is not currently subject to any material litigation and does not expect any liability arising from any of its existing legal proceedings to have a material impact on its results of operations liquidity, capital resources or financial position, the Group may be subject to such litigation in the future. In addition, the Group may be subject to other tax audits, disputes, claims and complaints, including adversarial actions, by customers, employees, third parties and others in the ordinary course of business.

The Group cannot predict the outcome of such inquiries and disputes, and such inquiries or disputes could have an adverse impact on the Group because of legal costs, diversion of management resources, reputational impact, and other factors. Determining provisions for any litigation is a complex, fact-intensive process that is subject to management assumptions and judgement. Legal proceedings or inquiries could also result in fines, criminal sanctions, consent decrees or orders preventing the Group from offering certain products or services, or requiring a change in the Group's business practices in costly ways or requiring development of non-infringing or otherwise altered products or technologies. Litigation and other claims and regulatory proceedings against the Group could result in unexpected expenses and liabilities, which could have a material adverse effect on its business, results of operations, financial condition or prospects.

Risks Relating to the Group's IT Systems and Operations and Intellectual Property

Systems failures, interruptions, delays in service, catastrophic events, cyberattacks, and resulting interruptions in the availability of the Group's services could harm its business and its reputation, and subject it to substantial liability.

The Group is heavily dependent on the capacity and reliability of the computer and communications systems supporting its operations, whether owned and operated internally or by suppliers or other third parties. The Group's systems and those of its data centres may experience service interruptions, denial-of-service and other cyber-attacks, human error, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks and other geopolitical unrest, computer viruses, software defects, or other events. The Group's facilities are also subject to break-ins, sabotage, and acts of vandalism. The Group's disaster recovery and operational resilience planning may not be sufficient for all eventualities. As an entity containing a UK-regulated bank and a provider of FX trading and payment processing products and services, the Group is subject to a high level of scrutiny by regulators that may require specific business continuity and disaster recovery plans and more rigorous testing of such plans. In the event the Group loses service from or changes any of its third party providers, including transaction monitoring or compliance service providers, it could face delays or incur significant costs in onboarding or finding suitable replacements that meet its requirements. In addition, as the Group onboards new major market banks as customers, these banks have in the past and may in the future continue to require rigorous stress testing by the Group as well. This increased scrutiny may be costly and time-consuming and may divert resources from other business priorities.

The Group has experienced and will likely continue to experience events or conditions that interrupt the availability or reduce the speed or functionality of its products and services and could, in the future, experience broader system failures. In the event the Group experiences any such significant events in the future, this could result in a material loss of revenue. In addition, such events could result in significant expense to repair or replace damaged equipment and remedy resultant data loss or corruption. A prolonged interruption in the availability or reduction in the speed or other functionality of the Group's products or services could have a material adverse effect on its business, financial condition, results of operations or prospects. In addition, frequent or persistent interruptions in the Group's products and services could cause customers to believe that its products and services are unreliable, leading them to switch to its competitors or to avoid its products and services, and could permanently harm its reputation and business. Moreover, to the extent that any system failure or similar event results in damages to customers or their businesses, these customers could seek compensation from the Group for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly for the Group to address.

Furthermore, cybersecurity attacks, including denial-of-service attacks, may cause similar service disruptions. These attacks, which target a variety of industries, are increasing in sophistication and frequency and may range from uncoordinated individual attempts to measures targeted specifically at the Group. These attacks include but are not limited to malicious software or viruses, attempts to gain unauthorised access to, or otherwise disrupt, the Group's information systems, attempts to gain unauthorised access to proprietary information, and other electronic security breaches that could lead to disruptions in critical systems, an unauthorised release of confidential or otherwise protected information and corruption of data. The Group may be subject to cybersecurity attacks, including breaches of its information technology systems. Cybersecurity failures may also be caused by employee error or malfeasance, system errors or vulnerabilities, including vulnerabilities of the Group's suppliers, and their products and services and could have a material and adverse impact on the Group's business, financial condition, results of operations or prospects.

A significant natural disaster could also have a material and adverse impact on the Group's business, financial condition, results of operations or prospects. The Group has implemented a disaster recovery programme which may prove to be inadequate, resulting in the risk of interruptions in the Group's services, which could have a material and adverse impact on the Group's business, financial condition, results of operations or prospects.

The Group may be unable to adequately protect or enforce its intellectual property rights, or third parties may allege that it is infringing on their IP rights, which could adversely affect the Group's business.

To protect its technology and intellectual property rights, the Group relies on trademark, trade secret, open source and other intellectual property law, as well as confidentiality agreements with employees and third parties, all of which offer only limited protection. Despite the Group's precautions to protect its confidential information and intellectual property, it may be possible for third parties to obtain and use without consent confidential information or infringe on the Group's intellectual property rights. The Group's ability to police misappropriation or infringement is uncertain, particularly in countries outside of the United Kingdom, the United States, Nigeria, and the European Union where it holds trademarks. This is especially true in certain jurisdictions where other third parties hold trademarks, which are very similar to, and used in overlapping fields as, those of the Group. In addition, the Group's confidentiality

agreements with employees, suppliers, customers and other third parties may fail to effectively prevent disclosure or use of proprietary technology or confidential information and may not provide an adequate remedy in the event of such unauthorised use or disclosure. Protecting against the unauthorised use of the Group's intellectual property and confidential information is expensive, difficult and not always possible. Litigation may be necessary in the future to enforce or defend the Group's intellectual property rights, to protect its confidential information, including trade secrets, or to determine the validity and scope of the proprietary rights of others. This litigation could be costly and divert management resources, either of which could have a material and adverse impact on the Group's business, financial condition, results of operations or prospects. Accordingly, despite the Group's efforts, it may not be able to prevent third parties from infringing upon or misappropriating its intellectual property and proprietary information. The Group cannot be certain that the steps it has taken will prevent the unauthorised use or the reverse engineering of its proprietary technology. Moreover, others may independently develop technologies that are competitive to the Group's or infringe its intellectual property. The enforcement of the Group's intellectual property rights also depends on its legal actions against these infringers being successful, and it cannot be sure these actions will be successful, even when its rights have been infringed. Furthermore, effective copyright, trademark, trade secret and other intellectual property protection may not be available in every country in which the Group may offer its products and services.

In addition, third parties could claim that the Group's technologies and processes underlying its products and services infringe their intellectual property. Moreover, to the extent that the Group gains greater visibility and market exposure as a public company, it may face a higher risk of being the target of intellectual property infringement claims asserted by third parties. The Group may in the future receive notices alleging that it has misappropriated or infringed a third party's intellectual property rights. Third parties may hold intellectual property rights, including patents and pending patent applications, which cover significant aspects of the Group's technologies, processes or business methods. Any claims of infringement or misappropriation by a third party, even those without merit, could cause the Group to incur substantial defence costs and could distract the Group's management from its business, and there can be no assurance that it will be able to prevail against such claims. Some of the Group's competitors may have the capability to dedicate substantially greater resources to enforcing their intellectual property rights and to defending claims that may be brought against them. Furthermore, a party making such a claim, if successful, could secure a judgment that requires the Group to pay substantial damages. A judgment could also include an injunction or other court order that could prevent the Group from offering its products and services. In addition, the Group might be required to seek a licence for the use of a third party's intellectual property, which may not be available on commercially reasonable terms, or at all. Alternatively, the Group might be required to develop non-infringing technology, which could require significant effort and expense and might ultimately not be successful. Third parties may also assert infringement claims against the Group's customers relating to their use of the Group's technologies or processes. If such a claim were to occur, it could require the Group to defend potentially protracted and costly litigation on their behalf, regardless of the merits of these claims. If any of the foregoing were to occur, it could have a material and adverse impact on the Group's business, financial condition, results of operations or prospects.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical Financial Information

The financial information set forth herein as at and for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 has been extracted from the Group's audited consolidated financial statements as at and for the years ended 31 December 2022, 2021 and 2020 (the "**Consolidated Financial Statements**"), in accordance with the principles set out in Note 2 of Section B of the Historical Financial Information (the "**Consolidated Historical Financial Information**").

The financial information set forth herein as at and for the three months ended 31 March 2023 has, unless otherwise indicated, been extracted without material adjustment from the Group's unaudited interim condensed consolidated financial information as at and for the three months ended 31 March 2023 (the "**Interim Financial Information**"), prepared in accordance with the basis of preparation and accounting policies as set out in Note 1 of Section D of the Historical Financial Information. The Interim Financial Information (other than in the case of the interim condensed consolidated statement of financial position as at 31 March 2023) also includes financial information as at and for the three months ended 31 March 2022, which has been included for comparative purposes only and has not been reviewed by Mazars.

The Consolidated Historical Financial Information and the Interim Financial Information are referred to collectively herein as the "**Historical Financial Information**". The term "**periods under review**" means the years ended 31 December 2022, 2021 and 2020 and the three months ended 31 March 2023 and 31 March 2022. The Interim Financial Information is unaudited and the Consolidated Historical Financial Information was audited in accordance with Standards for Investment Reporting issued by the Financial Reporting Council (the "**FRC**") in the United Kingdom by Mazars, an independent registered public audit firm located at 30 Old Bailey, EC4M 7AU London, United Kingdom.

The Historical Financial Information, which is included in this document beginning on page 115, has been prepared in accordance with the basis of preparation and accounting policies as set out in Notes 2 and 3 of Section B of that section, which are consistent with those used by the Group in its audited financial statements as at and for the year ended 31 December 2022. The Group's Historical Financial Information has been prepared in accordance with the requirements of the UK Prospectus Regulation. The Historical Financial Information should be read in conjunction with the accompanying notes thereto and Mazars' reports thereon.

The consolidated statement of comprehensive income in the Group's Historical Financial Information is presented as required under the applicable accounting standards and the Group's accounting policies. Such standards and policies require income to be disaggregated according to the nature of the underlying contract between the Group and the customer and the performance obligations contained therein. However, management assesses the Group's performance based on its income by product type, which represent the Group's three business lines: FX, Payments and Banking Services. See Note 4 of the Consolidated Historical Financial Information and Note 3 of the Interim Financial Information for more information.

The Group's financial year is the calendar year. The Consolidated Historical Financial Information in "*Historical Financial Information*" is covered by the accountants' report preceding it, which was prepared in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom.

Non-IFRS Information and Operating Data

Non-IFRS Information

The document contains certain financial measures that are considered alternative performance measures, which are financial metrics which are not defined or recognised under UK-adopted international accounting standards ("**IFRS**"), (collectively, the "**APMs**").

The Group has presented these APMs because it considers them an important supplemental measure of its underlying performance. For a reconciliation of the APMs to the IFRS measures included in the Historical Financial Information, see "*Selected Financial Information and Operating Data of the Group—Reconciliations of non-IFRS financial measures*". This data is derived from management estimates and is not part of the Historical Financial Information and has not been audited or reviewed by the auditors, consultants or experts. Other companies in the industry in which the Group operates may calculate and present similar data in a different manner and, therefore, the Group's data, when compared with data presented by other companies, may not be directly comparable.

Each of the non-IFRS measures presented as APMs is defined below (together, the "**Non-IFRS Measures**"):

- **Adjusted EBITDA**: Defined as profit for the year excluding the impact of tax charges, depreciation, amortisation, and non-recurring items.

- **Adjusted EBITDA Margin:** Defined as Adjusted EBITDA divided by total income.
- **Net Revenue Retention:** Defined as the revenue for the specified period of the Customer Cohort divided by revenue for the Customer Cohort in the period prior to the specified period.
- **Operating Free Cash Flow:** Defined as Adjusted EBITDA less purchase of intangible assets.
- **Cash Conversion:** Defined as Operating Free Cash Flow, divided by Adjusted EBITDA.
- **Average Take Rates:** Defined as FX and cross-currency payments income divided by FX and cross currency payments volumes.

The Non-IFRS Measures alone do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for revenue, total income or any other measure as an indicator of operating performance or as an alternative to cash generated from operating activities as a measure of liquidity. In addition, these measures should not be used instead of, or considered as an alternative to, the Group's Historical Financial Information.

The Group's presentation of the Non-IFRS Measures should not be construed as an implication that its future results will be unaffected by non-recurring items. The Group encourages investors to evaluate these items and the limitations for purposes of analysis in excluding them.

Operating Data and Key Performance Indicators

This document contains certain key performance indicators that are not defined or recognised under IFRS. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based require a level of judgement and can vary from company to company. These key performance indicators are included because Senior Management believes that they are used widely by certain investors, securities analysts and other interested parties as supplemental measures of operating performance. These are not measures of operating performance derived in accordance with IFRS and should not be considered in isolation or as a substitute for analysis of the Group's Historical Financial Information based on IFRS. For the Group's key performance indicators see "*Selected Financial Information and Operating Data of the Group—Operating data and key performance indicators*".

The following operating data is presented in this document as defined below:

- **Volume:** Defined as the Group's FX and cross currency payments volumes.

Currency Presentation

The Historical Financial Information is presented in GBP. Unless otherwise indicated, all references in this document to:

"**UK pound sterling**" or "**GBP**" or "**£**" are the lawful currency of the United Kingdom;

"**Euro**" or "**EUR**" or "**€**" are the lawful currency of 20 of the 27 member states of the European Union;

"**US dollars**" or "**USD**" or "**\$**" are the lawful currency of the United States;

"**NGN**" or "**Nigerian Naira**" are the lawful currency of Nigeria;

"**XAF**" or "**Central African Francs**" are the lawful currency of Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea, and Gabon; and

"**XOF**" or "**West African Francs**" are the lawful currency of Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

Rounding

Certain data in this document, including financial, statistical and operating information, has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

Definitions

Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in the section headed "*Glossary*".

Market, Economic and Industry Data

This document contains historical market data and forecasts which have been obtained from industry publications,

market research and other publicly available information. Certain information regarding market size, market share, market position, growth rate and other industry data pertaining to the Group and its business contained in this document consists of the Directors' estimates and conclusions based on their review of internal Company data, external third party data, multiple third party sources and reports compiled by professional organisations and other sources (and the Group's independent analysis of such data), including the United Nations, the OECD, SWIFT, the UK Government and McKinsey & Company (collectively, "**Market Data**").

Industry publications and market research generally state that the information they contain has been obtained from sources the Directors believe to be reliable but that the accuracy and completeness of such information is not guaranteed and any estimates or projections they contain are based on a number of significant assumptions.

In some cases there is no readily available external information (whether from trade and business organisations and associations, government bodies or other organisations) to validate market related analyses and estimates, requiring the Group to rely on internally developed estimates. The Group does not intend, and does not assume any obligation, to update industry or Market Data set forth in this document. Because market behaviour, preferences and trends are subject to change, prospective investors should be aware that market and industry information in this document and estimates based on any data therein may not be reliable indicators of future market performance or the Group's future results of operations.

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Where third party information has been used in this document, the source of such information has been identified.

Information Not Contained in this Document

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as at any time subsequent to the date hereof.

Information Regarding Forward-Looking Statements

This document includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on Senior Management's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "forecasts", "are expected to", "will continue", "would be", "targets", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of Senior Management or the Company concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the Company and the industry in which it operates. In particular, the statements under the headings "*Risk Factors*", "*Business Description*" and the "*Operating and Financial Review*" regarding the Company's strategy, financial guidance and expectations, including the Group's anticipated growth, accounting tax rates, and capital expenditure, as well as other expressions of the Group's expectations and other future events or prospects are forward-looking statements. These forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions and assumptions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Forward-looking statements are not guarantees of future performance and the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group's results or operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Important factors that could cause the Group's actual results to so vary include, but are not limited to:

- any disruption to the Group's services as a result of delays or changes in the terms of services from third parties or any challenges in securing additional third party services or replacements, if needed;
- an inability to maintain the Group's current growth trajectory;
- changes to the macroeconomic or political environment in the countries where the Group operates;
- FX rate fluctuations;
- a failure to detect, deter, or prevent employee misconduct or employee errors;
- a failure to attract or retain highly skilled employees;
- challenges in retaining existing customers;
- challenges in expanding the Group's products and services in its existing markets or into new geographic regions;
- competition in entrenched markets, which includes competition from both regulated banks and other financial entities;
- the regulation, supervision, and examination of the Group's business by governmental authorities, as well as litigation and regulatory actions;
- compliance with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations and the potential failure to prevent or detect improper activities; and
- systems failures, interruptions, delays in service, catastrophic events, cyberattacks, and resulting interruptions in the availability of the Group's services.

For more information regarding these uncertainties, please see "*Risk Factors*" above.

These forward-looking statements speak only as at the date of this document. Subject to the requirements of the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules and the Listing Rules, or applicable law, the Company explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of it. All subsequent written and oral forward-looking statements attributable to either the Group or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this document.

No Incorporation of Website Information

Neither the contents of the Group's websites, any website mentioned in this document, nor any website directly or indirectly linked to these websites have been verified and they do not form part of this document, and investors should not rely on such information.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Ann Cairns, <i>Chair</i> Bhairav Trivedi, <i>Chief Executive Officer</i> Richard Hallett, <i>Chief Financial Officer</i> Nöel Harwerth, <i>Senior Independent Director</i> Simon Poole, <i>Non-Executive Director</i> Jennifer Johnson-Calari, <i>Independent Non-Executive Director</i> Karen Jordan, <i>Independent Non-Executive Director</i> Susanne Chishti, <i>Independent Non-Executive Director</i> Caroline Brown, <i>Independent Non-Executive Director</i> Mario Shiliashki, <i>Independent Non-Executive Director</i>
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MARKET/ INDUSTRY OVERVIEW

The following information has been provided for background purposes only. One should read this "Market/Industry Overview" in conjunction with the more detailed information contained in this document, including "Risk Factors", "Business Description", "Operating and Financial Review" and "Regulatory Overview". Unless the source is otherwise stated, the information in this "Market/Industry Overview" is based on Market Data as defined in "Presentation of Financial and Other Information—Market, Economic and Industry Data".

Global Cross-Border Payments Market Overview

The global cross-border payments market consists of all the cross-border payment flows across developed and emerging markets and free format flows (flows where the sender and/or receiver location is not tagged in the SWIFT records), globally. Developed markets are represented by the OECD (38 member countries of the Organisation for Economic Co-operation and Development) and other European countries. Emerging markets comprise non-OECD Asia Pacific, the Middle East, the Caribbean, Latin America and Africa, as well as Brazil, India, China and South Africa ("BICS"). Each of these markets sizes presented in this "Market/Industry Overview" have been prepared in accordance with the methodology set out in the Notes below Figure 1, which for example, has excluded intra-country local currency denominated flows for the market sizing of each of these markets. Across the geographical axis, the countries can be broken down into two distinct categories – sending and receiving markets. Key sending markets are characterised by large outbound cross-border payments, while receiving markets are characterised by large inbound cross-border payments. The global cross-border payments market is large and growing, with total flows of \$271 trillion globally, within which the OECD to OECD flows make up the highest volume (approximately \$119 trillion). The total revenue pool for this market in 2022 was \$256 billion.

Figure 1: Global Cross-Border Payments Market (\$ billion)

		Sending Region								Other ⁽¹⁾	Totals		
		Developed		Emerging									
		OECD	Other Europe	Core Emerging				BICS ⁽²⁾					
				Africa	APAC	Latin America	Middle East	Brazil and SA	China and India				
Receiving Region	Developed	OECD	118,636	911	549	5,373	1,378	2,707	821	1,754	19,848	151,977	
		Other Europe	763	92	16	39	5	38	16	17	117	1,103	
	Emerging	Core Emerging	Africa	476	14	247	72	4	118	34	98	144	1,208
			APAC	6,478	47	82	3,790	58	283	70	3,903	3,498	18,209
		BICS ⁽²⁾	Latin America	1,655	7	5	34	200	24	55	34	222	2,245
			Middle East	1,055	24	91	220	5	496	9	153	202	2,256
			Brazil and SA	460	8	56	25	97	17	1	13	55	731
			China and India	1,559	37	120	2,880	66	219	65	70	393	5,408
	Other ⁽¹⁾	85,976	280	94	1,104	265	89	41	334	0	88,183		
Totals	217,068	1,419	1,259	13,536	2,079	3,991	1,112	6,377	24,480	271,322			

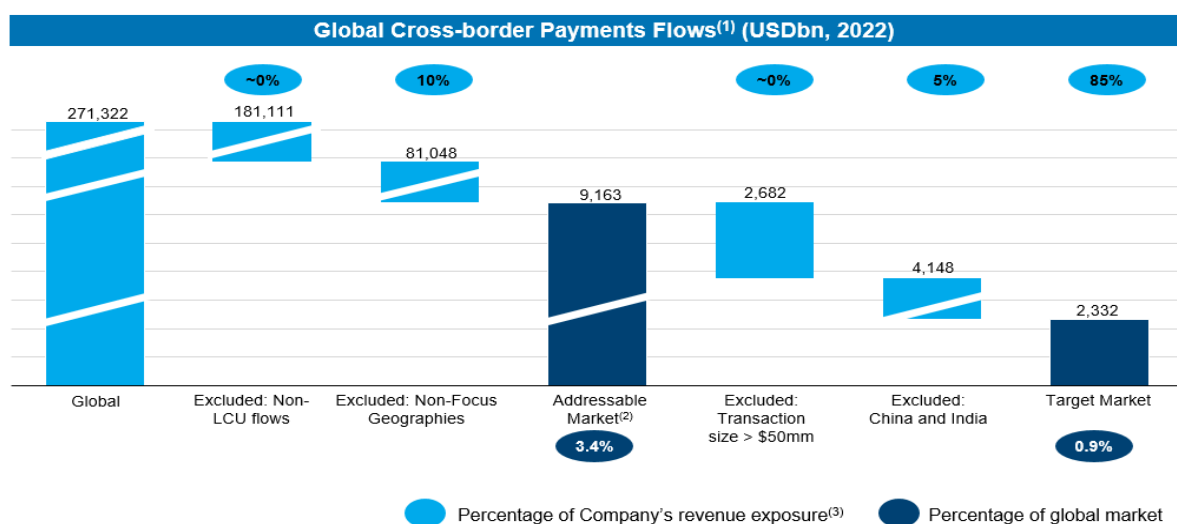
■ Target market
■ Addressable market – BICS and core emerging to major flows
■ Global cross-border payments – Includes non-focus geographies
■ Totals

Source: SWIFT records and Market Data. Notes: 1. Intra-country local currency denominated flows have been excluded from the market sizing. 2. While the terms BRICS is sometimes used to refer to this particular group of countries, Russia as a sanctioned market has been excluded of the acronym, resulting in BICS. 3. Free format where the sender and/or receiver location is not properly recorded on the Swift message.

The Group's receiving markets currently mainly consist of emerging markets in Asia, Latin America, the Middle East, and Africa, enabling critical flows of money to reach emerging markets which generally exhibit low liquidity and few available transaction partners. Within this, the market addressable by the Group ("Addressable Market"), comprising primarily developed to emerging markets flows, excludes non local currency unit ("Non-LCU"), non-focus geographies and amounts to \$9.2 trillion in terms of payments flows, and a revenue pool of \$13.5 billion (5.3% of the entire global cross-border payments market revenue and 3.4% of the entire global cross-border payments market volume) in 2022. Non-LCU flows are cross border payments that take place with no FX transaction, and therefore are non-target flows for the Group's FX conversion products. Non-focus geographies are defined as intra-OECD and intra-European transactions – these transactions are highly commoditised, meaning that the Group's core competencies are not optimally utilised. The target market reflects the Group's core market today, and further excludes large transactions (over \$50 million transaction size) as well as China, India and the above-mentioned free format flows (including sanctioned markets) (collectively, the "Target Market"). Large transactions are a core market of international banks and characterised by low take rates, while China and India offer liquid FX markets that resemble the characteristics of developed markets, therefore making them less attractive for the Group. The Target Market of the Group is estimated to be \$2.3 trillion of flows in 2022, approximately four times smaller than the

Addressable Market defined earlier, which presents significant opportunity for further expansion should the Group choose to do so in the future.

Figure 2: The Group's TAM Breakdown⁽¹⁾



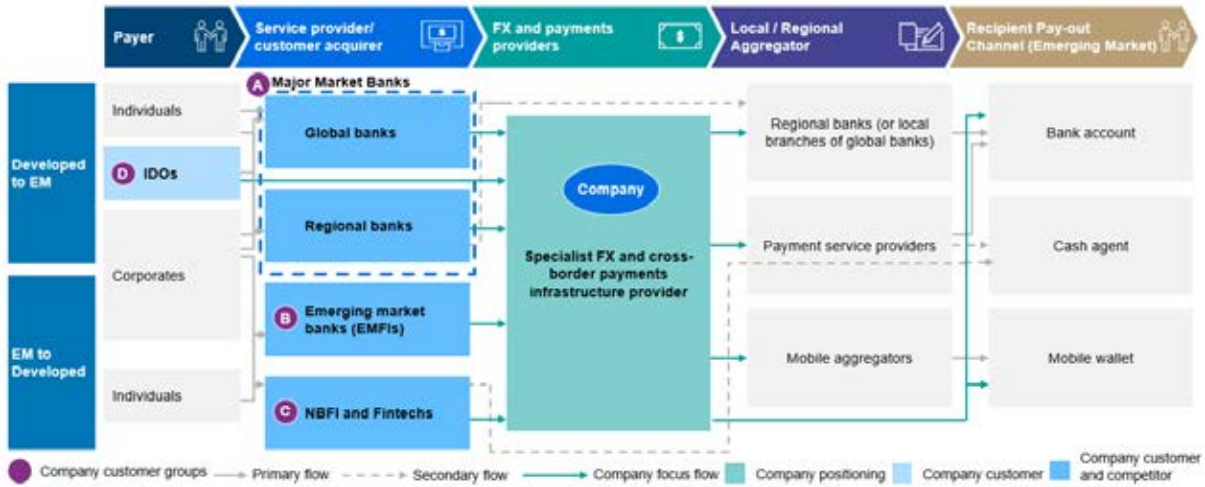
Source: SWIFT records and Market Data. Notes: 1. Intra-country local currency denominated flows have been excluded from the market sizing. 2. Russia has been excluded from the market sizing as a sanctioned market. 3. The Group's 2022 Traded FX and Payment FX revenues only.

Target Market Overview

Emerging markets have traditionally been net recipients of large foreign flows, supported by increasing volumes in foreign direct investments ("FDIs") and remittances, as well as flows coming from International Development Organisations ("IDOs"). IDOs are customers in the humanitarian and international development sectors including multilateral, government, and non-governmental organisations, and define one of the major customer segments of the Group. IDOs include major organisations, like the UN, sending aid flows to third world countries via cross-border FX services. These regions are less well integrated into the world's financial system than developed markets, yet rely on critical cross-border flows of money to support trade, development and other economic activity. The Target Market is highly complex, characterised by a fragmented ecosystem of mostly legacy providers with disparate technologies. Emerging market FX flows exhibit lower liquidity due to relatively limited demand compared to developed markets, leading to lower focus attributed to investments in infrastructures critical to facilitating FX transactions. Emerging markets are further obscured by the required effort to maintain relationships with local transaction partners, such as central and local banks. In each jurisdiction, there are different compliance and regulatory requirements to follow, as well as country-specific payments networks, relationships and infrastructure that need to be in place. Given the regulatory and administrative onboarding effort, the compliance processes and anti-financial crime operations become a core capability that can be costly to operate without the necessary scale. Coupled with the challenging economics associated with operating the broad geographic footprint required to sustain an FX business across emerging markets, this presents high barriers to entry and often results in providers both competing and partnering around certain currency corridors or capabilities. As an example, major market banks, which include major international banks or global banks, in recent years have been selectively stepping out of operating in these currency corridors and partnering with players similar to the Group to ensure operational reliability in emerging markets, players who effectively offer access to emerging markets without having to maintain proprietary infrastructure with direct access to long tail currencies. Another group, represented by emerging markets financial institutions ("EMFIs"), including regional and local commercial banks, correspondent banks and other emerging markets financial institutions, have been historically less connected/integrated in the global payments network and are experiencing the need for a reliable partner to access USD and hard currencies at more attractive rates and faster settlement times. Lastly, non-bank financial institutions ("NBFIs"), representing consumer and corporate non-bank payment providers (predominantly fintech companies) have frequent and consistent FX demand, given their role as an aggregator on behalf of end consumers (i.e., aggregated remittance payments), but generally face barriers to entry in emerging markets as a lack of banking licence impairs their ability to develop holistic relationships with regional players, and restricts their access to liquidity and favourable pricing. Players similar to the Group present an attractive partnership opportunity to serve their customers quickly and reliably in new geographies. The exhibit below provides an illustrative overview of the ecosystem, whereby the Group enables critical flows of money to reach emerging

markets, where several players occupy varying positions in the value chain, acting as both customers and competitors.

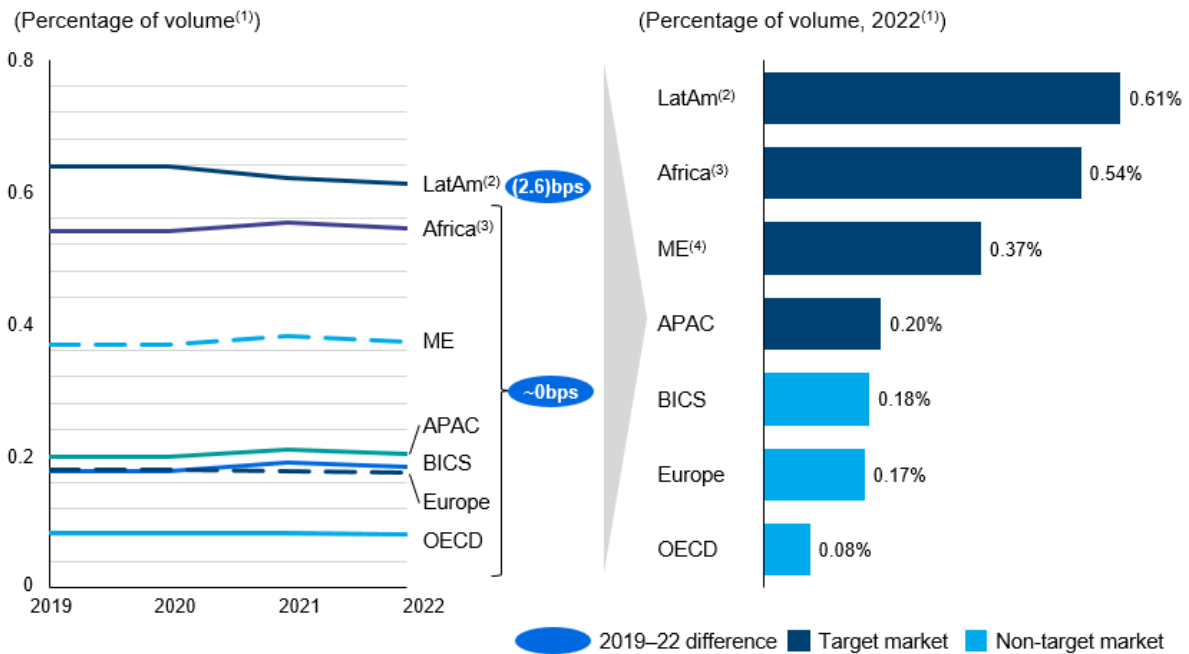
Figure 3: Illustrative Target Market Value Chain and Ecosystem



Source: Company information.

As described earlier, emerging markets are characterised by low liquidity, with limited volumes traded on the market. The illiquid nature of emerging markets currencies drives higher volatility, given the subsequent dislocation associated with price discovery. Increased volatility, in turn, drives higher spreads, and consequently higher take rates for FX payment providers. Take rates on Target Market currencies can reach up to three times those of BICS, up to six times those of OECD countries and are expected to remain durable over the long term. Furthermore, take rates can benefit from FX and rate volatilities, which cause the spread between spot versus market bid/ask price of an illiquid emerging markets currency to widen. The wide spreads can be rewarding for FX companies that are able to manage the complexity and additional risk inherent in this type of transactions. These high take rates make it naturally attractive for a specialist player like the Group to target such flows.

Figure 4: Average Take Rates per Currency Basket

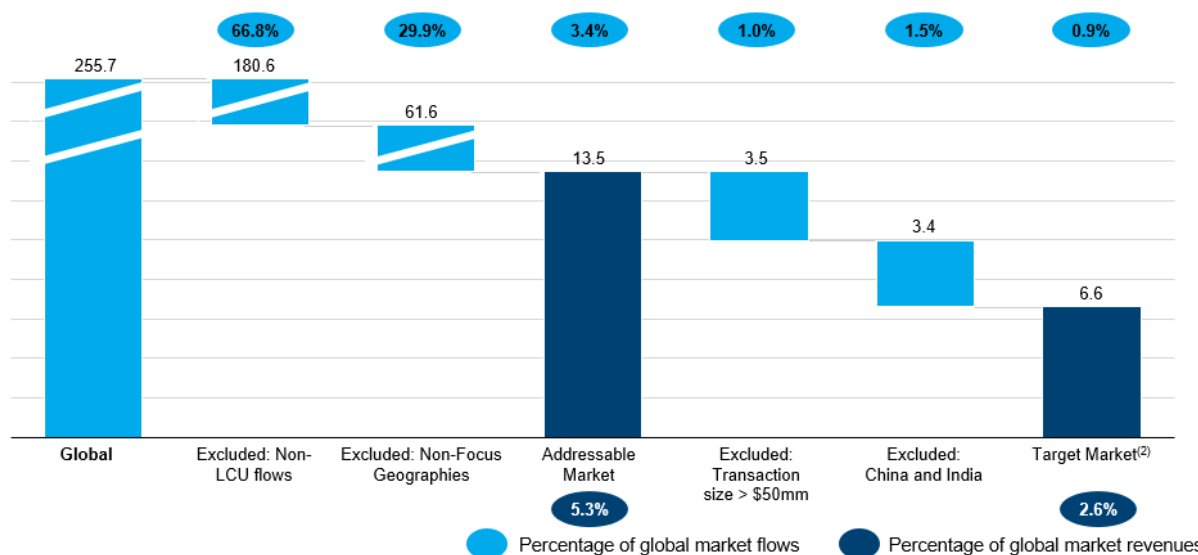


Source: SWIFT, Company information. Notes: 1. Includes blended FX and payments take rates. 2. Caribbean and Latin America excluding Brazil. 3. Africa excluding South Africa. 4. Middle East.

The average blended Target Market take rate for the year ended 31 December 2022 is estimated to be 28 basis points, compared to nine basis points in the global cross-border payments market, therefore resulting in the Target Market

generating a larger share of global revenue pools relative to its share of flows: 2.6% of global revenue pools compared to 0.9% of volumes. Market Data shows that take rates in the Target Market have remained consistent since 2019 and are expected to increase marginally by approximately 0.7 basis points by 2027 and that the Target Market is expected to grow at 4.8% CAGR between 2022 and 2027 due to volume growth and a shift to higher margin geographies. The revenue pool in the Group's Target Market was \$6.6 billion in 2022.

Figure 5: Global Cross-Border Payment Revenue⁽¹⁾



Source: SWIFT, Company information. Notes: 1. Revenue includes FX and payments. 2. Countries without data assume regional average as a proxy.

Current Market Developments and Competitive Dynamics

Based on Market Data, in 2022, the Directors estimate that the Group had a 1.3% share of the revenue pools in its Target Market described above, which is estimated to increase to 6.6% in 2027. The market share is calculated as Company revenue divided by the Target Market revenue; within this calculation, the Company’s revenue includes only revenue that is explicitly allocated to emerging markets, and only FX and payments. As such, it excludes other revenue streams such as major currencies and non-FX/payment revenues (e.g. interest income, trade finance, etc.). Although the Group's share is forecasted to more than triple in the next five years, it is evident that the Group is far from market dominance and has significant room to further grow within its Target Market. In 2022, the Emerging Market cross-border payments market was dominated by global and regional banks ("banks"), holding an estimated 80 to 85% market share, with specialist players, such as the Group, holding the other estimated 15 to 20%. From 2023 until 2027, the dominant market share of banks is expected to decrease to a share of approximately 60 to 65% due to a number of reasons.

The primary types of competitors that are active in the Emerging Market cross-border payments market are: banks, regulated emerging market specialists, B2B specialists, legacy payment players with emerging market capabilities and payment fintechs.

Banks

Banks have continuously been exiting correspondent banking relationships since 2011. There has been a constant decline in the number of active emerging markets banking correspondents for the major market banks as they are prioritising business opportunities in their core markets and products (i.e. lending), and are increasingly exiting from the emerging markets FX payments business, which they consider as having unattractive risk-weighted returns. Their retreat is the result of four key drivers: (1) high regulatory compliance costs, mainly driven by financial crime regulations that outweigh the potential profits; (2) need for business rationalisation to preserve take rates and appease shareholders that results in the closing of business lines with declining profitability; (3) high risk profile and capital intensity of correspondent banking; and (4) competitive dynamics such as bundled currency corridor offerings that lead to a consolidation of businesses with a limited number of global transaction banks (which are a limited number of banks that retain the in-house capability to send / receive payments globally). This overall retreat from emerging markets implies a decreasing market share of global and regional banks in FX services, given that their global FX payments coverage will substantially decrease.

Other drivers of the banks' decreasing market share are the several pain points associated with the legacy systems used by global and regional banks. The business and operational model of banks depend on multiple correspondents to facilitate FX transactions. As such, the banks' customers have to put up with lengthy transaction times, costly transaction fees and wide FX spreads, often with no visibility on the progress of the transaction. For example, based on management estimates, a traditional bank's proposition usually entails a fee of more than 5% of the transaction value, driven by uncertain/opaque pricing mechanisms, coupled with a slow transfer time and relatively high unreliability.

Additionally, banks are restricted by their business model which relies on brick-and-mortar local networks in the markets they operate in. This can contribute to inefficiencies in their cost structures and their high transaction fees, in part due to multiple transfers for the FX or payments to reach their ultimate destinations, whereas the Group generally sends funds directly. To compensate for the higher cost and to meet their internal return targets, banks charge hefty sums for providing correspondent services and command large FX spreads, especially on less-liquid currency corridors. In addition, banks typically have to incur the heavy costs of building and maintaining network relationships, adhering to compliance guidelines and prefunding process liquidity (whereby FX providers are required to hold adequate currency liquidity to ensure smooth processing), often without benefiting from economies of scale that a specialised player would be able to harness. The high price, lack of speed and inefficiency of legacy solutions foster the decline in market share.

A helpful precedent showing comparable evolution is the global merchant acquiring market in 2007. Similar to the emerging markets cross-border FX market, the global merchant acquiring market was dominated by banks that held a market share in excess of 60% in 2007, with specialists left with approximately 37%. After banks decided to deprioritise that market, specialists were able to increase their market share in the following years. After six years of winning shares from incumbent banking players, specialists became the dominant companies on the market, with a market share of approximately 44% in 2010, and subsequently captured approximately 58% of the market in 2019 (and when excluding Sberbank which has an entrenched market position in the Russian market due to state ownership, non-bank market share rose to approximately 62%). This market development led to the rise of new specialised players within the industry, such as Adyen, Stripe and Square, many of them currently in a dominant market position within their respective target markets. Based on Market Data, specialists in the Group's market are estimated to increase their market share from 15-20% to 35-40% by 2027.

Traditional players (banks) are less incentivised to resolve the problems identified earlier due to their business model and fixed infrastructure. This creates an opportunity for the more flexible and lower cost specialist players to gain market share and customers. The specialists are segmented in several types of players:

Regulated Emerging Market Specialists

Regulated emerging markets specialists distinguish themselves from other specialist players by the presence of a banking licence and the fact that they are globally regulated. They are focused on providing FX wholesale services to customers with payment needs in illiquid emerging markets currencies. These companies have a revenue mix that is skewed towards FX, and they maintain high density networks in core markets. This segment accounted for only 1-2% of the market (in 2022), but is expected to rapidly take share from banks, which continue to de-risk and exit emerging markets countries in which they earn subdued risk-weighted returns. Regulated specialists are also expected to benefit from (1) the continuation of the strong growth trajectory in core segments (IDOs and NBFIs) on the back of improving technological capabilities; and (2) technological improvements in digital tools and partial API integration, which provide better user experience and appeal to customers.

B2B Specialists

B2B payment specialists are global financial services players offering cross-border payment solutions as well as FX trading (at times adjacent to their core emerging markets commodity business, e.g., StoneX).

Legacy payment players with emerging markets capabilities

B2B payment players with emerging markets capabilities are payment-focused companies with brick-and-mortar footprints in emerging markets and incumbent capabilities in transacting emerging currencies. This group of players focuses on a wide range of customers with lower growth as compared to other non-banking rivals due to higher dependency on a network of correspondent banks, and thus is negatively affected by banks exiting markets. Examples of legacy payment players are Moneygram and Convera.

Payment Fintech Companies (B2C first)

Tech-enabled business to consumer ("B2C") and B2B payment companies focus on API solutions, mostly offering a cross-border solution that appeals to a small medium enterprise customer base. This segment includes formerly

B2C-focused players with newly built B2B capabilities, i.e., Wise or Revolut, that are building up infrastructures in emerging markets and could potentially increase the competition in the B2B cross-border payments market in the medium to long run.

As described earlier in the section, it is important to note that most of the aforementioned specialist players do not operate independently in the cross-border FX markets. For example, B2B specialists tend to partner up with B2C players and vice-versa to offer a full packaged offering and address a larger customer base. Another example is payment fintech companies, who usually partner with an FX-focused player to serve the emerging markets.

These specialist players are well positioned to fill the retreating banks' space within the market for numerous reasons. Firstly, the banks that cede their market share and suspend their cross-border FX operations are likely to become customers of regulated emerging market specialists (like the Group) as they will be looking for a third party cross-border payments provider to keep offering their customers a full range of payment services. When choosing this third party, the Directors believe that banks will be comforted by the Group's UK banking licence, as it must fulfil the same regulatory requirements as its financial institution customers. This credibility with regulators is crucial to win banks and other potential customers.

Secondly, specialist players also generally have a full and direct coverage in place, especially in countries in which banks are more likely to cease operations. Given the holistic coverage in key emerging markets (particularly in countries with illiquid currencies), specialists are positioned to offer major market banks the ability to serve their customers' needs in frontier markets in which few other players are active.

Generally, combined with the digitalisation of the market, compliance know-how across jurisdictions and enhanced customer service, the cross-border FX market is expected to experience a shift in revenue share towards specialist players. In addition to this shift, the market itself is also expected to experience growth in the coming years.

Expected Growth Vectors

The growth in the global cross-border payments market is underpinned by several drivers.

As described previously, emerging markets have traditionally been net recipients of large foreign flows, which is supported by recent increasing volumes in Foreign Direct Investments ("**FDI**") and remittances, as well as flows coming from IDO. The increase in FDIs is driven by attractive opportunities and GDP growth rates forecast to be substantially above the economic growth rates of developed markets. These increasing and considerable currency inflows are exemplified by the record \$83 billion FDI in Africa in 2021. In addition, the connection between emerging market flows and aid flows, means that even in times of macroeconomic market volatility, there are consistent flows going into these markets.

Regional free trade agreements and zones are an additional tailwind to global cross-border payments. According to Market Data, the African Continental Free Trade Agreement is expected to increase intra-Africa cross-border payments flows by two to three times. Similarly, in Asia, various free trade agreements like the ASEAN Trade In Goods Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership might have a positive impact on regional economic development.

Additionally, the migration of individuals from emerging markets to developed markets in search of better livelihoods is a key driver of the increase in global FX transaction volumes, mainly through remittances sent to their home countries. This trend is expected to persist as the migration from emerging markets (particularly from Africa and Asia) to developed markets continues.

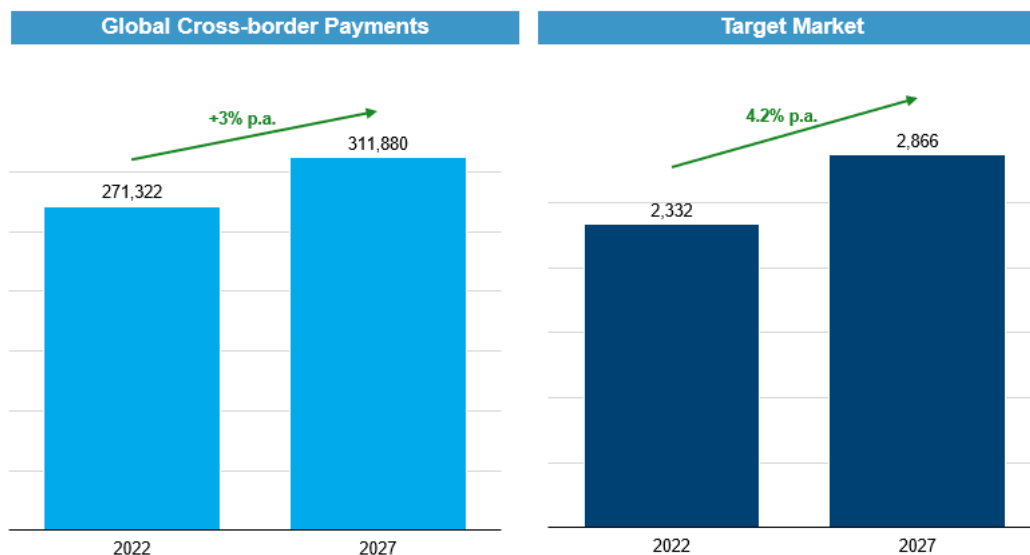
ESG is becoming a major trend globally, potentially increasing flows into emerging markets by governments, charities, and supranational organisations such as the United Nations, the International Monetary Fund and the World Bank (i.e., climate finance flows from developed to emerging markets). This is reflected in the FX market in the form of development aid as well as climate finance flows to address social inequalities, offer crisis relief, or help emerging market countries to transition into greener economies. ESG-related cross-border flows are already contributing to the rising flows into emerging markets, driven in part by the 2015 Conference of Parties' ("**COP**") \$100 billion climate finance goal. Six years later, the COP21 in Paris saw developed countries extending the commitment to financially support emerging markets countries to mitigate potential adverse effects of climate change, which is expected to continue to be a driver of cross-border payment flows towards emerging markets. An example for this development is the announcement by UK Foreign Secretary James Cleverly on 8 November 2022 to increase the United Kingdom's financial support to African countries most impacted by climate change.

The combination of long-term secular growth and resilience in times of volatility underpins the attractiveness of the cross-border payments market. Coupled with GDP and trade-driven growth opportunities, emerging markets-focused cross-border payments facilitators are expected to see a stable expansion of revenue streams through the economic cycles in the long run.

Increased digitalisation of cash markets is another driver of global cross-border payment volume expansion. The

Group's Target Markets are cash-driven geographies, with cash transaction volumes about ten to thirteen times the size of digital transactions. As a result, emerging markets represent a largely untapped market for digital payments and a material opportunity for future expansion. The transition of cash to digital is common in emerging markets: Taking Nigeria as an example, the number of electronic payments has grown eightfold between 2017 and 2021 and is a key growth pillar for the Group.

Figure 6: Historical and forecast cross-border flows (\$billion)



Source: SWIFT, Company information.

Figure 6 shows that the global cross-border payments market flows are expected to grow from \$271 trillion in 2022 to \$312 trillion in 2027 due to the secular drivers as described above, and mainly driven by the global expansion of GDP and trade that spur demand for international currencies. When considering the Group's Target Market, the growth is expected to outpace the global cross border payments market and is forecast to reach \$2.9 trillion in 2027, implying a Compound Annual Growth Rate ("CAGR") of 4.2%, on the back of its higher exposure to fast-growing emerging markets.

BUSINESS DESCRIPTION

One should read this section of this document in conjunction with the more detailed information contained in this document, including the financial and other information appearing in "Operating and Financial Review". Where stated, financial information in this section of this document has been extracted from the Historical Financial Information.

This section includes forward-looking statements that reflect the current view of the Directors and involve risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this document.

Overview

The Group uses its network, technology, and expertise to help governments, institutions, and organisations access hard-to-reach markets to move money where it is needed. The Group is a market leader in B2B cross-border payments and foreign exchange, specialising in emerging markets, covering over 150 countries as of 31 December 2022. Although it contains a UK-regulated bank, CAB, the Group is not a traditional lending institution, and instead moves large interbank flows, with an average ticket size of over \$100,000. The Directors believe the Group's infrastructure through its proprietary network, dedicated technology, and UK banking licence subject it to developed market risk standards, while delivering emerging market growth. Its blue-chip customer base includes several top 20 major market banks, fintech companies, development organisations and governments. The Directors believe that this unique set of characteristics has delivered strong unit economics which has driven growth and profitability. In addition, the Group aims to have a significant social impact by helping to drive financial inclusion, formalise financial markets and strengthen the local economies where it delivers funds.

The Group manages its business around the customers it serves and the types of services offered. The Group organises its business across three business lines, with each of the Group's business lines addressing a certain combination of customer groups, distribution networks and services offered. These are offered via a range of channels, with the majority made available via GUI and the remainder through non-automated, human-to-human trader-supported, third party platform channels, and API. The Group's three business lines are:

- **FX:** The Group provides its customers around the world with a real-time FX trading platform, designed especially for emerging markets. FX customers specify the currency they wish to buy and the currency they wish to sell and are quoted a real-time, competitive price. The purchased currency is delivered to an account of their choosing, typically in the market associated with that currency. The Group offers these services through multiple channels: EMpower FX via API or GUI, multidealer platforms and the Group's own traders. For select customers the Group provides overdraft and post-paid accounts where it earns interest. The Group's FX service includes multi-channel access, integrated data analytics, built-in risk controls and a customisable customer experience.
- **Payments:** The Group provides an end-to-end, cross-border payments gateway to its broad range of global customers. Payments customers specify an amount and a beneficiary of the payment. The Group then routes this money to the beneficiary account, converting it to the relevant local currency as required. The Group offers these services through three distinct platforms: EMpower Payments (API or GUI), EMpower Pensions (a pension payments full service platform) and EMpower Connect (a bank-oriented service for making hard currency payments in the most efficient currency).
- **Banking Services:** The Group provides a range of banking and other services globally. The Group offers transaction and deposit accounts which earn a net interest margin between the rate the Group pays its deposit holders and the rate the Group receives in the money markets. The Group also offers trade finance and certain financial consulting related services.

Revenue and income from the Group's business lines, FX, Payments and Banking Services, reflect the Group's total income presented in the Group's Historical Financial Information. For a breakdown of total income by business line, see Note 4 of the Consolidated Historical Financial Information and Note 3 of the Interim Financial Information for more information.

History of the Group

The Group's former parent company ("**Crown Agents**") was founded in 1833. The Group is a UK-regulated provider of foreign exchange and cross-border payments, with a focus on facilitating flows to and from emerging markets. The Group is authorised and regulated by the PRA and the FCA as an entity that contains a UK-regulated bank.

The following chart sets forth certain key events in the Group's history.



Acquisition by Helios Investment Partners and subsequent Growth of the business

The Helios Funds, advised by Helios Investment Partners, through Merlin Midco Limited acquired the Group in 2016 (the "**Helios Acquisition**"). Since the Helios Acquisition, Helios and the Group have strengthened its core offering by further building out its platform for FX and payments network and infrastructure, which has contributed to the growth the Group experienced during the period under review. The business has grown substantially since the Helios Acquisition and the primary intention of the next five years is to scale further and refine the Group's FX and payments network and capability. See "*—Strategy*" for additional information.

Name Change

On 6 March 2023 the Company changed its name to CAB Payments Holdings Limited.

Competitive Strengths

The Group believes that it benefits from the following key strengths:

- **Large, fast-growing market undergoing favourable structural shifts:** the Group executes transactions representing less than 1% of global annual flows into emerging markets. This Group's Target Market is expected to grow at a CAGR of 4.2% per annum from 2022 to 2027. In addition, there is a structural shift from regional and domestic banks to specialists as banks seek to exit a business line which is subscale and difficult for them.
- **Blue chip customer base focused on moving funds to and from emerging markets:** the Group has some of the world's top aid organisations, governments, banks and fintech companies as customers. By aggregating its volumes, the Group provides one of the largest and most reliable sources of hard currency into its chosen markets. This makes it a key trade partner in its chosen markets.
- **Deep global payments network:** the Group has 135 local bank accounts, including multiple bank accounts per market in its Target Markets. This allows the Group to send funds in a single step, load balance across partners, and gives it redundancy. The Group has 218 approved regular trading partners for emerging market FX. This means that even large tickets are subject to competition.
- **Underpinned by a UK-banking licence:** the Group benefits from a UK bank licence. This makes it a preferred provider to many banks, governments and aid organisations. It gives the Group flexibility in product delivery, such as retaining customer funds and earning interest. Bank grade compliance, reporting and oversight supports delivery of comparatively low levels of risk.
- **Well-invested tech platform purpose-built for emerging markets:** the Group has a product set designed for emerging markets. The EMpower FX platform offers real-time competitive FX quotes of a broad range emerging market currencies across multiple channels. The Group has a proprietary payment gateway purpose-built with the needs of our network in mind.
- **High-calibre leadership team driving social impact:** the Group has a management team selected for their deep

expertise in key skills including banking, technology, FX and payments. The Group has a strong social impact driving financial inclusion, formalising financial markets, and strengthening local economies.

- **Strong unit economics, market-leading growth and profitability:** The Group's average Net Revenue Retention of 150% for the five years ended 31 December 2022, 80% 2-year revenue CAGR since 2020 and strong Adjusted EBITDA margins are all metrics which put the Group among the best-performing businesses in its peer group.

These strengths are described in more detail below.

Large, fast-growing market undergoing favourable structural shifts

The Group's transaction volumes represent less than 1% of estimated annual global financial flows according to Market Data. Moreover, estimated annual global financial flows in the Group's Target Market are expected to grow at a CAGR of 4.2% per annum from 2022 until 2027, according to Market Data. This situates the Group in a growing market which provides opportunities for growth if it maintains its market share. In addition, the Company believes there is a structural shift taking place, with global and regional banks ceding market share to specialists, such as the Company, as the banks seek to exit a business line which, in the context of their wider business, tends to be subscale and challenging to execute. The Group therefore expects to benefit from the underlying growth in cross-border FX and payment volumes from developed to emerging markets, as well as this increasing shift in market share towards specialist providers, like the Group. The Group believes that it has well-established capabilities to take advantage of these trends and opportunities, and that its growth thus has the potential to outpace the growth of the overall market.

In 2022, the Group's total addressable market is all cross border payment flows, which represent \$271 trillion in flows; its Addressable Market are payment flows into emerging markets, which represents \$9.2 trillion in flows; and its Target Market are the Group's core markets today, which represent approximately \$2.3 trillion in flows. Based on Market Data, the Directors estimate that the Group had a 1.3% share of the revenue pools available in its Target Market in 2022, which share is estimated to increase to 6.6% by 2027. Although the Group's market share is forecasted to more than triple in the next five years, the Group is far from market dominance, and believes it has significant room to further grow within its Target Market. Furthermore, the Group's Target Market is approximately one quarter the size of its Addressable Market. With approximately \$9.2 trillion in terms of payments flows in 2022, the Group's Addressable Market presents significant opportunity for further expansion beyond the Group's Target Market should the Group choose to do so in the future. See "*Market/Industry Overview*" for further detail of the markets making up the Group's addressable markets.

The emerging market cross-border payments market has also been undergoing a favourable shift toward specialist players which trend is expected to accelerate in the coming years. Banks are systematically withdrawing from offering FX products in the Group's Target Market. According to Market Data, correspondent banking relationships in Africa dropped by 20% between 2011 to 2019, with major market banks retreating due to increasing compliance burdens and a growing desire to rationalise their geographic footprints. In 2022, the emerging market cross-border payments market was still dominated by banks, holding an estimated 80% to 85% market share, with specialist players, such as the Group, holding the other estimated 15% to 20%. The Group has been one of the leaders of the transformation of the cross border payments market, taking advantage of the shift to specialists players from market share of only 5% in 2011 to 15% to 20% by 2022. According to Market Data, the Group's revenue growth in the Target Market from 2017-2022 outpaced that of other leading specialist competitors. From 2023 until 2027, the dominant market share of banks is expected to decrease to a share of approximately 60% to 65%. This creates an opportunity for the more flexible and lower cost specialist players, like the Group, to gain market share and customers. An analogous business line, the global merchant acquiring market, was dominated by banks, with specialists left with approximately 37% market share in 2007. After banks decided to deprioritise that market, specialists were able to increase their market share to approximately 62% of the market by 2019. See "*Market/Industry Overview*" for further detail.

The Directors are confident in the Group's ability to continue to take advantage of these structural trends toward specialists and to mitigate the competitive threat that traditional banks may choose to re-enter the market, believing that customers will become increasingly sticky as they learn that their highly complex needs are best met by the Group's specific customisation.

Blue chip customer base focused on moving funds to and from emerging markets

The Group's customers include many of the world's largest and most significant development organisations, governments, banks and fintech companies. By aggregating their volumes, the Group is one of the largest and most reliable sources of hard currency into its core markets, making the Group a key trade partner in those geographies. The Group has built a substantial customer base of approximately 490 global blue-chip customers. Many of these are long-term customer relationships that have been built over a number of years.

The Group focuses on four core customer segments, addressing these customers' needs:

- **NBFIs (which include fintech companies):** in the year ended 31 December 2022 this accounted for approximately 35% of the Group's revenue.
- **IDO:** in the year ended 31 December 2022 this accounted for approximately 30% of the Group's revenue.
- **EMFIs:** in the year ended 31 December 2022 this accounted for approximately 30% of the Group's revenue.
- **Major market banks:** in the year ended 31 December 2022 this accounted for approximately 5% of the Group's revenue.

For more information on these segments, see "*—Customers*".

Across all of these segments, the Group provides a differentiated service allowing these customers to access hard-to-reach financial markets in a fast, secure and cost efficient manner.

The Group's approach has been to capitalise on its existing customer base as an opportunity for future revenue generation, by focusing on its ability to cross-sell to, and grow share of transaction volumes from, existing customers. The Group has a demonstrated track record of increasing its share of transaction volumes from its customers, as evidenced by its average Net Revenue Retention of 150% for the five years ended 31 December 2022. The Directors believe the high quality and stickiness of the Group's products and services are demonstrated by its minimal customer churn. The Group had a 96% three-year customer, or logo, retention for the year ended 31 December 2022. Specifically of its top 100 customers in 2020, 96 of these generated revenue in 2022. The average tenure of the Group's top 15 customers is 9 years.

Deep global payments network

The Group has built its position as a market leader in B2B FX and payments by creating a deep global payments network that offers a developed market platform and product suite purpose-built to serve hard-to-reach financial markets. The Group's extensive global network coverage is one of the key drivers of its ability to acquire new customers.

The Directors believe that a distinguishing feature of the Group's platform and network is underlying infrastructure that allows fast, more reliable, transparent and competitively priced FX and payments services. As at 31 December 2022, this differentiated network capacity and underlying infrastructure consisted of:

- **Local Bank Accounts:** the Group's Local Bank Account Network, consisting of 135 geographically diverse local bank accounts. The Group maintains multiple bank accounts per market in the Group's most important markets. This allows the Group to send funds in a single step, and to balance transaction volumes across multiple partners, (which serves to optimise transaction outcomes, and provides in-built redundancy). In many cases, the Group also provide USD and GBP clearing to the partner banks, ensuring best services on payment clearing.
- **Liquidity partners:** the Group has 218 approved trading partners, from which it sources emerging market foreign exchange, ensuring that even large transactions are subject to robust competition. The Group vets and pre-approves its liquidity and other related partners to enable it to make transactions that meet the Group's service standards. The partners value the Group as a reliable source of hard currency, and compete for flows, ensuring price levels which allow the Group to win competitive tenders and still maintain competitive take rates. For example, the Group trades XAF with a variety of counterparties, some of whom are not obligated to use the fixed FX rate for Euro to XAF, which allows the Group to provide better rates than competitors.
- **Central Banks:** the Group also has commercial relationships with 25 central banks in its most critical markets. This provides a *de facto* seal of approval to its services, and ensures it stays abreast of any developing regulation.
- **Dedicated in-house partnership team maintaining coverage and liquidity partners:** using a dedicated in-house partnership team, the Group opens and maintains local accounts with partner banks, and regularly monitors these partner banks and liquidity providers to minimise risk and to keep its underlying infrastructure reliable and efficient.
- **Technology:** the Group's technology is another key feature comprising its overall infrastructure, offering a product design and technology base that has been specially tailored towards emerging markets, to ensure it integrates well with the Group's Local Bank Account Network, liquidity and other related partners. It also offers a multi-channel customisable customer experience. See "*—Well-invested technology platform purpose-built for emerging markets*" for more detail about the technological features of its network and platform.

The above-described features of the Group's network and infrastructure enables it to make FX and payments quickly, without multiple transfers to other payment providers, banks and third parties. The Directors believe these direct transfer capabilities, allowing many transactions to be made directly from point to point, contribute to the Group's pricing transparency and competitiveness, as well as reliability and speed of execution. In contrast, the Directors

believe many competitors' networks and infrastructure are less direct, often utilising other third party FX and payments providers, such as the Group, to conduct their customers' FX or payments transactions, offering less control and contributing to higher customer costs for such services. This has led to the Group's FX transactions comprising up to 5% of hard currency flows into its most mature markets. For example, the Group's customer base includes a number of other B2C and B2B FX and payment service providers that utilise the Group's infrastructure to execute their customers' transactions. Because of this, the Directors believe that the risk of disaggregation for the Group is minimal.

As a result of the Group's network capacity and infrastructure, its FX and payments network offers:

- **An expansive geographical footprint:** The Group has built a platform with comprehensive and global coverage supporting transactions in more than 150 countries, including 119 countries covered directly as at 31 December 2022. This platform powers the support of more than 140 currencies across more than 550 currency corridors. The Group's core strength is based on the depth of its coverage and flows into Africa and Asia, where the Group has a differentiated offering driven by its network and infrastructure;
- **Faster transaction speeds:** Based on experience and customer feedback, the Directors believe that the Group is able to offer faster transaction speeds than most of its competitors, with better delivery services (including customer notifications and post transaction reporting); and
- **Competitive pricing and fees:** The Group offers competitive pricing and fees with real time visibility for more than 140 currencies. In addition, customers are able to share in the revenue the Group makes on its FX transactions by receiving a certain amount (which varies depending on the transaction) of such revenue. As a result, when there is visibility on foreign exchange trades that are put to tender, the Group has observed it has approximately two times the win rate of its closest competitors, which the Directors believe reflect in part the competitiveness of the Group's pricing and fees.

Underpinned by a UK-banking licence

The Group's status as a PRA and FCA regulated UK bank offers the following benefits and implications:

- **Attractive partner for other financial institutions:** The banking licence offers a trust anchor encouraging regulated customers and liquidity providers to partner with the Group, and enhances the Group's brand value.
- **Holistic payments and other services suite:** The Group's status as a regulated bank also provides the ability to attract customers who want to open accounts in multiple currencies (USD / GBP / EUR), and offers the Group the flexibility to provide customers with complimentary banking services to the Group's core FX and payments services.
- **Differentiated risk profile with proportional costs:** The Group's banking licence subjects it to the PRA's compliance, capital and reporting standards, which help manage risk; at the same time, the costs of such regulatory supervision are not onerous given the Group's asset-light, non-retail business model, which is not capital-intensive.
- **Key competitive differentiator and barrier to entry:** The Group's regulated status also gives it a unique market position as the only specialist player with a banking licence. Furthermore, the Group's banking licence materially reinforces its ability to build its infrastructure through relationships with local banking and other institutions and to access liquidity.

Furthermore, the nature of the Group's banking activities differentiate it from many other banks. Many regulated banks experience credit or duration risk in relation to a long dated lending portfolio; however the Group's balance sheet is materially different from that of the typical bank, in that the Group does not engage in consumer or mortgage lending. As at 31 December 2022, all of CAB's lending had a residual maturity of less than six months.

With respect to liquidity, a large quantity of the deposits placed with the Group have short contractual maturities, often to support FX and payments transaction settlement, with the bulk of additional deposits placed on a less than three month basis. To manage these dynamics, the Group maintains a large portfolio of high quality liquid assets ("**HQLA**") to enable it to meet all reasonably foreseeable deposit outflow scenarios.

As at 31 December 2022, the Group's total HQLA buffer as a percentage of its deposits was 88%. Furthermore, as at 31 December 2022, CAB had a positive cumulative contractual gap at all times (meaning essentially that the aggregate of CAB's HQLA and contractual maturity of lending assets were greater than the aggregate of its contractual funding liabilities when considering all amounts due in future periods). The Group's HQLA buffer consisted of central bank reserves placed with the Bank of England (52%), funds which invest in short dated US Treasuries (13%) and AAA rated securities (35%). At 31 December 2022, the weighted average residual maturity of these securities was less than 8 months. Given the short residual maturity of the securities, their sensitivity to changes in market expectations of interest rates is low.

CAB's liquidity coverage ratio ("**LCR**") as at 31 December 2022 was 158% (2021:132%; 2020: 138%) which is significantly in excess of the minimum regulatory requirements of 100% and the Board's risk tolerance limit. For additional information see "*Operating and Financial Review—Funding, Liquidity and Capital Resources*".

Well-invested technology platform purpose-built for emerging markets

The Group has a technology platform specifically designed and built over the recent years for the emerging markets flows it facilitates. For example, the EMpower FX platform offers real-time competitive foreign exchange quotes for a broad range of emerging market/illiquid currencies across multiple channels (e.g., API, GUI). The Group also has a proprietary payment gateway purpose-built with the unique needs of its network and focus markets in mind. Since 2015, the Group has invested approximately £36 million in its products and services, including approximately £33 million in technology alone which has helped to power the growth of its FX and payments products and services. For example, between 2015 and 2022, FX revenue grew from £1.7 million to £63.0 million at a CAGR of 67.5%.

The key features of the EMpower FX and the Group's B2B payments gateway are set out below.

Real time B2B FX: Real-time FX trading platform designed for emerging markets:

- Currency coverage (more than 140 currencies, more than 550 currency corridors);
- Unified channels, which are accessible via GUI, dedicated FX protocol API or multi dealer platforms;
- Real-time pricing streams;
- Customisable customer experience with bespoke deal blotters, customisable trading screens and enhancing trading experiences;
- Real-time email trade confirmations to multiple recipients; and
- Internal data and analytics.

B2B Payments: End-to-end automated payments gateway which enables:

- Payments in 61 currencies across 92 countries;
- A precise bank gateway system as a result of continuously optimised validations and constraints eliminating operational friction;
- Efficient mobile gateways built upon seamless error resolution technology that leverages smart failure re-routing and advanced reconciliation with downstream partners;
- A differentiated liquidity platform that offers competitive pricing due to directly related FX upselling and favourable economics driven by utilisation fees and incremental FX volume; and
- A digitised pension portal.

The acquisition and integration of Segovia's payment gateway into the business' core systems now enables the Group to provide customers with a fuller suite of products via API, GUI, or SWIFT. At its core, the Group's platform is a developer-friendly API, which facilitates secure, enterprise-grade, flexible, multi-partner integrations. The end product is a global, hard-to-replicate connectivity and infrastructure pay-out system which can connect to local banks and mobile wallet networks. In the SWIFT payment space through the EMpower Connect product the Group delivered functionality, which enables customers to instruct cross-currency SWIFT payments that are funded in, and pay out in, emerging market currencies (e.g. KES-AED). This allows commercial bank customers, in markets where hard currency liquidity is scarce, to offer cross-border payments services to their underlying customers in new, competitive ways.

The Group's tech stack, especially its internally developed payments platform, is well invested, scalable and purpose built for sophisticated customers. The benefit of which being that using the EMpower payments platform, the Group is able to reliably connect nearly any part of the world into a financial market with 99.9%+ uptime and is poised to be able to do so reliably in the future.

The ability to access human support drives trading volume, as well as customer stickiness, as FX traders speaking to customers represents a key source of market intelligence and cross/up-sell opportunity. Whilst this carries an additional fixed cost base relative to electronic channels, the spread on emerging market transactions is much higher, given the illiquidity of the markets, creating an offsetting effect. Furthermore, the Group's deep local networks allow the business to thrive in some of the most challenging currency corridors, as it is able to balance load and to select the local partners meeting the Group's service requirements for delivery. As a result, the Group has more direct rails, which improves the speed of transactions.

Lastly, the platform is highly focused around risk and resiliency with built-in safeguards, which enables the Group's network to remain resilient in instances of outages or server failures as traffic can be re-routed effectively. Extensive,

bank-grade KYC/AML processes are at the heart of its operations. The Group also utilises machine learning-based transaction screening and monitoring mechanisms, which operate across the entire customer base and help to drive an automated reduction in customer risk profiles.

High-calibre leadership team driving social impact

The Group has a management team selected for their extensive experience and deep expertise in key competencies, including banking, technology, FX and payments. The Group also has a strong social impact focus: driving financial inclusion, formalising financial markets and strengthening local economies.

The Group boasts a senior executive team with rich experience (median industry experience of over 25+ years and combined cross-border payments experience of more than 90 years) across top-tier fintech companies and financial institutions. Senior Management's competency is demonstrated by a track record of outperformance, consistently delivering above the Group's internal targets.

The Group's unique positioning and offering has been regularly recognised (Global Finance Best FX provider, The Digital Banker MEA Innovation Award), in large part due to the strength of its management. The Group's platform offers a backbone to making financial services accessible and affordable to development banks, charities and businesses in emerging markets, which means the Group contributes to driving positive social impact by connecting under-served economies into the financial ecosystem. This is an inherent output of the Group's fundamental business case, which is to create secure, transparent and efficient payment infrastructure that spans globally. This materialises in the facilitation of commercial bank flows into lower-middle and low income groups, remittance flows and development aid flows into emerging markets. In the year ended 31 December 2022, the Group transferred £3.3 billion development aid flows, £1.9 billion remittance flows, and £14.6 billion flows to low and lower-middle income countries.

The Group endeavours to invest dedicated resources (supported by full executive sponsorship) into its ESG initiatives. This investment has enabled the Group to build a comprehensive ESG strategy – across all three pillars – aligned with the UN Sustainable Development Goals ("**SDGs**"). The Group has focused on championing ambitious ESG values such as transparency / accountability, diversity and inclusion (with 43% people of colour employees and 39% women employees as of 31 March 2023) and environmental sustainability (certified carbon neutral since 2019, achieved through carbon offsets).

The achievements that the Group have made have been notable, with particular highlights including:

- Applied to become a B Corp in November 2021; assessment is ongoing;
- Awarded the gold sustainability rating by ecovadis through March 2024;
- UN Global Compact signatory;
- ESG performance indicators at Executive Committee level;
- Incorporated social impact programmes as 50% of offset focus for 2021;
- Bank-wide targets to encourage employee participation in social impact volunteering schemes;
- Seeking to use renewable energy wherever possible; and
- Meeting the target of the Parker Review on improving ethnic diversity of UK boards.

The Group continues to embed ESG throughout its operations and business, as guided by its values of integrity, collaboration and impact. This is integrated all the way from evaluating new business opportunities, to the way in which the Group guides the growth of the business and works with its employees and customers. Underpinning all of this is the Group's robust governance structure, which incorporates accountability and transparency into operations. The Directors believe that focusing on creating lasting impact is not just good for the planet and society, but will also drive customer confidence that the Group is the "go-to payments platform" to connect emerging markets to the rest of the world.

Strong unit economics, market-leading growth and profitability

The strength of the business offering is demonstrated by powerful unit economics, including:

- ***Customer Cohorts and Net Revenue Retention:*** The Group has strong Customer Cohorts, each of which demonstrate growing revenue over time and a high Net Revenue Retention rate of 150% on average for the five years ended 31 December 2022, demonstrating the fact that, once on-boarded, most customers look to increase their business with the Group over time;
- ***Size of Customer Cohorts growth over time:*** The Group has been signing larger and larger customers. These new customers are also transacting faster, with the Group's latest Customer Cohorts delivering revenue and profit faster

than previous ones; and

- **Highly Valuable Customer Relationships:** The Group has a strong lifetime value to customer acquisition cost ratio and payback period.

The above have, in turn, translated into strong growth in revenue, profitability and operating free cash flow across the periods presented. The Group's revenue has grown by an approximately 80% CAGR from the year ended 31 December 2020 to the year ended 31 December 2022, increasing from £33.9 million to £109.9 million. In addition, March 2023 was the third highest month on record in terms of the Group's revenue performance. This has been primarily driven by the Group's core propositions (FX and payments) and enabled by its differentiated network capacity and underlying infrastructure. According to a constant currency analysis, constant FX growth was approximately 167% in 2021 and approximately 184% in 2022 (this analysis uses the average 2020 GBP/USD exchange rate as fixed and eliminates the effect of FX rate fluctuations). The business' strong growth in cross currency payments has been supported by the ongoing evolution of its payment gateway and capabilities, whilst same currency payments have been driven by demand growth in existing customers. This revenue growth is also underpinned by the Group's diversified customer base and limited customer concentration, with its top ten customers in terms of revenue accounting for approximately 35.3% revenue in the year ended 31 December 2022. The Group also believes it benefits from sizeable counter-cyclical, as increased volatility often presents a boost to take rates. Given the fact that the illiquid nature of emerging market currencies drives higher volatility, in times of market dislocation, the volatility associated with price discovery drives higher spreads, and consequently, higher take rates.

Alongside this rapid top-line growth, the Group's business also grew its Adjusted EBITDA and operating free cash flow during the periods presented. Adjusted EBITDA grew from £1.6 million in the year ended 31 December 2020 to £54.6 million in the year ended 31 December 2022, representing an increase in Adjusted EBITDA margin from 5% to 50% over this same period, demonstrating the strong operating leverage in the business.

Operating free cash flow grew from a loss of £5 million in the year ended 31 December 2020 to £50 million in the year ended 31 December 2022, demonstrating the strong cash flow that the business can deliver. Given the significant investments already made to-date, the Directors believe that the business' cash generative qualities should continue over time.

Key Strategies

Having successfully automated and scaled the business to be able to serve some of the world's largest customers, the next phase of strategy for the Group is to expand its sales and delivery capacity to take advantage of its market-leading product and service offering. This strategy consists of:

- **Increase transaction share with existing customers:** continue to encourage customers to use a broader range of geographies and currencies. Take advantage of the Group's now mature payments offering to deliver payments via API to existing customers. Expand sales capabilities to include 'farming' i.e. relationship management.
- **Expand and increase the geographical presence of its sales team:** grow the sales team size significantly, notably expanding the team beyond the United Kingdom. Improve sales support, investing in customer relationship management ("CRM") and lead generation.
- **Strengthen the Group's core offering:** further investment in the Group's global payments network and technology to improve customer features, speed of delivery, reliability and transparency.
- **Expand global coverage to 24 hours:** focusing on the Americas and Asia, the Group is exploring trading and customer service capabilities in time zones in the Americas and/or Asia, allowing follow-the-sun capabilities and localised market support.
- **Develop its major market bank customer segment:** on the back of scaling the Group's offering through recent operational automation and payment API, sell to OECD headquartered banks. The Group's product and this market fit has been proven with the signing of three of the world's top 20 banks over the last year and a half.

Further opportunities: While the focus of the business is growing share with existing products and services in largely proven customer segments, the Group has several additional opportunities is exploring including forwards, further sale of banking products, digital currencies and inorganic growth.

The Group's strategy and further opportunities are described in more detail below.

Increase transaction share with existing customers

The Group believes that its existing customer base offers a substantial opportunity to increase revenue. As at 31 December 2022, the Group served approximately 490 global blue-chip customers. The Group aims to increase the number of currency corridors served, volumes and use-cases from its existing customer base.

The Group's sales strategy has a dedicated focus on increasing share of existing customer transactions through cross-sell and up-sell opportunities. The Group believes that investments into its network and products enhance its value proposition for customers, enabling the platform to win greater wallet share and build long-term relationships.

The Group has a proven track record of expanding its footprint with existing customers into markets where it is already market leading. It also uses existing customer demand to create strategic opportunities in new markets where the Group is not yet market leading. Further investment in the Group's dedicated partnership team is expected to support the expansion and depth of the Group's global payments network, underpinning expected wallet share gain from existing customers.

In addition the Group has introduced a number of new services to encourage existing customer growth, including 'inform API' to allow customers realtime payment information, post pay capabilities for NBFIs customers and EMpower Connect services allowing 'south-south' flows for EMFI customers to more efficiently make payments to other emerging markets.

Expand and increase the geographical presence of its sales team

The Group currently provides its FX and payments services through a sales team of 33 FTEs exclusively based in the United Kingdom. As part of the Group's growth strategy, it intends to invest in expanding and increasing the geographical presence of its sales team. In the near term, the Group expects to hire additional sales team members to be able to solicit and support additional customers. For example, the Group has applied for a payment institution licence in the Netherlands. If granted, this payment institution licence will allow the Group to solicit new EEA-based customers, particularly IDOs. If granted, the Group expects to hire additional sales team to solicit customers with the aim of expanding its customer base for spot FX and payments services more broadly in the region. The Group also aims to enhance the efficiency of its sales teams by establishing additional sales support functions alongside business and risk management with data analytics, lead generation and CRM support capabilities. Through this combination of actions, the Directors believe the Group will be well placed to continue to expand its customer base over time.

Strengthen the Group's core offering

Delivering a fast, simple and reliable transaction experience for customers at attractive prices is a core tenet of the Group's business. The Group already considers itself highly competitive across its products and services. Despite this, the Group still continuously endeavours to enhance customer value proposition by investing in advancing its product and technological capabilities and network infrastructure.

The Group intends to strengthen its core offering in the following ways:

- *Continue to grow the depth of its Local Bank Account Network to enable the Group direct delivery capabilities across markets and to strengthen its last mile delivery capabilities:* The Group intends to further expand on existing networks, with a focus on strengthening its networks in the Latin America and Southeast Asian markets in particular. These regions account for a substantial portion of emerging market volumes for FX and payments flows. The Group intends to continue to invest in expanding its Local Bank Account Network and building last mile capabilities in key receiving side markets in these geographies. The Group will also evaluate opportunistic acquisitions to expand reach in these currency corridors. For example, between 31 December 2019 and 31 December 2022, the Group increased the number of XAF local bank accounts and liquidity providers from 20 to 31 as its volumes in the region increased. While cross-border FX and payments take rates have been flat or eroding across all regions in the last years, the Group's Target Market currencies benefit from higher starting point take rates compared to many other regions. Deepening networks within these geographies are expected to provide the business with enhanced access to liquidity in these local currencies, facilitating the ability to offer better pricing in addition to faster and more reliable settlements for customers.
- *Continue to strengthen the technology underlying the Group's network and infrastructure:* The Group has made significant investments in building a robust, secure and scalable back-end technology infrastructure to support its operational growth. It intends to continue to invest in its technology. For example, the Group is focused on integrating the business' FX and payments platforms such that they can be offered to customers through a single API. This is expected to create a seamless platform experience for customers across multiple use-cases, and reduce overheads. In addition, the Group intends to continue to invest in greater automation and artificial intelligence and machine learning based analytics tools to further strengthen its technology architecture.

A strengthened global network provides the business with access to incremental flows, enhances the platform's customer value proposition and drives improved profitability through economies of scale. The Directors believe that strengthening its core business offering will continue to drive a meaningful portion of future growth.

Expand global coverage to 24 hours

The Group is exploring options for setting up dedicated sales teams in major global commercial hubs in Asia Pacific and/or the Americas, seeking local regulatory approvals where needed. The addition of sales team members in additional geographies is intended to provide the Group with 24 hour trading desk coverage to facilitate the global nature of the Group's FX and payments products and services and increase the Group's ability to serve existing and new customers in time zones which are difficult to service from the United Kingdom.

Develop its major market bank customer segment and drive new customer additions

The Group intends to grow its customer base through focused sales and marketing efforts, as well as a continued enhancement of its value proposition. The Group's platform offers capabilities to serve a wide range of use cases for a diverse customer base including NBFIs, IDOs, EMFIs and major market banks.

In particular, the Group plans to seek accelerated growth in the major market bank customer segment, while continuing to maintain strong growth with financial institutions, NBFIs (including fintech companies) and IDOs in the near-term. The Group intends, in the mid-term, to obtain an investment grade rating in order to make itself more appealing to potential major market bank, and IDO customers. The Directors believe that major market bank customers are underserved by specialist providers like the Group. These customers give access to large global flows and provide an opportunity for a significant boost in transaction volumes. During the year ended 31 December 2022, the Group onboarded three of the top 20 major market banks, providing access to their large scale payment transaction flows for the first time. As part of the sales force expansion described above, the Group will seek to onboard a large number of regional and domestic banks from developed markets around the world. As at 31 December 2022, the Group had 9 leading banks worldwide and 5 leading banks in Europe in the pipeline as potential new customers.

Future opportunities to further extend product and service offerings

The Group will continue to explore other opportunities, which can facilitate improved customer service, strengthen market opportunities and leverage existing technology platforms and network infrastructures as a foundation. For example, the Group intends to explore options for having a bank branch in the United States, to enable it to directly clear USD and to apply for CHIPS membership. Such options would be subject to approval from the applicable US regulators and the timing of being able to open a bank branch in the United States is uncertain, and is likely a longer-term strategy, since the Company would be unlikely to be able to open a US bank branch while it is controlled by a significant shareholder that is not predominantly engaged in banking activities outside the United States. A US bank branch would also extend the Group's marketing capabilities within the specific US state in which any such bank branch were located. Further, having a banking licence gives the Group the flexibility to offer a holistic range of financial and banking services to customers, including overdraft facilities for its customers to support payment post-trading. The Group intends to continue to explore selective ways to provide banking and other services to its customers to enhance outcomes for the Group's core FX and payments services.

The Group continues to explore products and services which are adjacent to its current payments and FX offering, such as selling derivatives instruments to customers, including forward FX trades. The Group is aware of certain of its existing customers that would utilise forward FX trading services if the Group were to offer such services. The Group is exploring the possibility of introducing FX derivatives in late 2023 or 2024, which would require only incremental technology updates. However, the introduction of FX derivatives would be dependent on the Group receiving regulatory approval and is also subject to considerations of credit, regulatory, conduct and market risks. In the longer-term, the Group intends to explore the use of digital currencies to provide faster execution to customers. This would allow the Group to serve digital currency customers, incorporate digital currencies as a transit mechanism to expedite cross-border settlements and add digital currency capabilities to its FX and Payments platforms. The Group also plans to explore other options, including netting. The Group may look to build these capabilities through organic or inorganic means, which offer the opportunity to scale the business further and faster.

Financial Targets and Objectives

The Group has set financial targets and objectives for 2023 and the mid-term in respect of the measures presented below.

Financial year ending 31 December 2023

- **Total Income:** The Group expects total income growth of approximately 45% in the year ending 31 December 2023 as compared to the year ended 31 December 2022. This targeted growth in total income assumes a return to normalcy in Naira trading in the second half of 2023. With respect to Naira's performance, the Directors believe a realistic worst-case scenario for its financial performance would be in the event of a return to unrestricted trading in Naira in the second half of 2023, which the Directors believe would shrink the Group's take rate for Naira but

improve the volume of Naira flows. In the event of such a scenario, the Directors would still expect to meet the Group's total income target, and if the Naira take rates were to stay at the current levels, they would expect to exceed the Group's total income growth target for 2023.

- **Exceptional costs:** The Group expects exceptional costs in the year ending 31 December 2023 to be primarily associated with those relating to its preparation for the Global Offering, and estimates that such costs will be approximately 15% of total operating expenses for the year ending 31 December 2023.
- **Capital expenditure:** The Group expects capital expenditure to be approximately 8% to 10% of total income in the year ending 31 December 2023.
- **Tax rate:** The Group expects its effective tax rate to be approximately 23% for the year ending 31 December 2023.

Mid-term targets

- **Total income:** The Group is targeting total income growth at a 35%-40% CAGR in the mid-term, compared to the Group's target of 45% for 2023. This targeted growth in total income is underpinned by the Directors' assumptions that the Group will achieve market share gains as a result of a combination of factors, including the structural shift from regional and domestic banks to specialists (like the Group) in the Group's Target Market, a positive shift in customer mix to those with a large volume of transactions and/or transactions in currency corridors with high take rates, an increase in wallet share from existing customers and new customer wins. To support the Group's targeted total income growth, the Group also anticipates hiring additional employees, particularly in sales and operations functions. The Group's mid-term targets are not dependent on Naira's take rate and trading conditions sustaining the Group's continued growth.
- **FX and Payment total income:** The Group is targeting its FX and Payments volumes to continue to grow, and the Group's mid-term targets conservatively estimate that take rates will decline marginally in the mid-term. The Group is targeting FX and Payments total income (excluding clearing costs) to increase to approximately 90% to 95% of total income in the mid-term. Furthermore, in the mid-term, the Group is expecting its Payments income will grow faster compared to its FX income since this business line is starting from a smaller base.
- **Adjusted EBITDA margin:** The Group is targeting an improvement in its Adjusted EBITDA margin to approximately 55% to 60% in the mid-term. This improvement is expected to come from growth in total income, combined with the effect of the Group's business scaling-up, resulting in a significant share of the additional total income being generated without corresponding increases in operating expenses (while also noting that the Group expects to make continued investment in additional employees to support its growth strategy and targets in the mid-term).
- **Capital expenditure:** The Group is targeting capital expenditure of approximately 10% of total income throughout the mid-term. The Group expects the purchase of intangible assets, reflecting primarily continued investments in its platforms and technology, as it continues to scale its platform and make product improvements, as well as purchases of property plant and equipment as the Group expands further internationally in the event it obtains its payments licence in the Netherlands and as it seeks to open other trading desks to enable it to deliver 24 hour coverage of its FX and payments products and services.
- **Cash Conversion:** The Group is targeting cash conversion of more than 80% in the mid-term. This target is below the cash conversion for the year ended 31 December 2022 since capital expenditure as a percentage of total income is targeted to be greater than that during 2022. The Group expects capital expenditure to remain the only significant cash outflow in the mid-term.

The financial targets and objectives for 2023 and the mid-term targets assume a constant currency exchange rate. The average GBP to USD exchange rate in 2021 was 1.38 and in 2022 it was 1.24. In 2022, the Group's transaction related financial results were not materially impacted by changes in the GBP to USD exchange rate. This is largely because the Group is presently engaged solely in spot FX trading and sells down its position every day, subject to holding certain positions overnight within set risk limits. In 2022, the GBP to USD gains and losses resulted in net exchange gains of only £7.8 million.

The Group has not defined, and does not intend to define, "mid-term". The Group's mid-term financial targets or objectives should not be read as forecasts, projections or expected results and should not be read as indicating that the Group is targeting such metrics for any particular year, but are merely objectives that result from the Group's pursuit of its strategy. The Group's ability to meet its 2023 and mid-term objectives is based upon the assumption that the Group will be successful in executing its strategy and, furthermore, depends on the accuracy of a number of assumptions involving factors that are significantly or entirely beyond the Group's control and are subject to known and unknown risks, uncertainties and other factors that may result in the Group being unable to achieve these objectives.

The Group's targets and objectives are based on assumptions that the Directors believe are reasonable, but which may turn out to be incorrect or different than expected, and the Group's ability to achieve them will depend on a number of factors, many of which are outside the Group's control, including significant business and economic uncertainties and risks, including those described in "Risk Factors". As a result, the Group's actual results may vary from the targets and objectives set out above and those variations may be material. See "Risk Factors—Risks Relating to Business and Industry—The Group's 2023 and mid-term targets and the assumptions and judgements underlying these targets may prove inaccurate, and as a result, the Group may not achieve its targeted financial results" for additional information about the risks associated with the assumptions that underlie certain of the Group's targets. Furthermore, the statements above are forward-looking statements and are subject to the limitations set out in "Presentation of Financial and Other Information—Information Regarding Forward-Looking Statements".

Business Lines

FX

Services

The FX business line comprises the Group's foreign exchange solutions, with a focus on transfers from developed markets to emerging markets. The Group provides spot FX services to customers including IDOs, remittance companies, major market banks, NBFIs, central banks and government entities.

Channels

The Group's foreign exchange services are available to its customers via a range of electronic and trader-supported channels.

EMpower FX

EMpower FX is the Group's API-enabled, customised trading platform providing real-time access to FX pricing and trade execution to its customers, with additional desktop and mobile access, similar to Bloomberg Mobile. The platform offers FX pricing and trading, with access, as at 31 December 2022, to over 550 currency corridors made covering more than 140 currencies. Currencies range from G10 currencies such as USD, EUR and GBP to less liquid emerging market currencies including the West African Franc, the Nigerian Naira, and the Bangladeshi Taka. The Group has 12 liquidity providers who provide quotes on the platform. The platform offers customers a range of tools to view, manage and execute their FX requirements. EMpower FX is a one-stop entry point for customers to manage day-to-day FX exposures and monitor market movements. The channel is predominantly used by the Group's larger bank and NBFIs customers. For the year ended 31 December 2022, 73% of the Group's volumes and 88% of the Group's transactions were executed over EMpower FX, without the intermediation of a trader. The platform has grown quickly. As at 31 December 2020, the platform had 71 customer users, growing to 117 in 2022 and volumes grew from £19 billion to £35 billion during this same period.

Multidealer Platforms

Third party multidealer platforms, such as Refinitiv FXall and Deutsche Borse 360T, display the Group's pricing alongside other dealers. The Group pays such platforms a small fee to distribute its pricing. This channel is mainly used by IDOs and public sector entities who are often required to tender bids competitively.

Trader Supported

The Group provides its customers with the option to place an order directly with one of its traders, for example by phone, email or instant message. Trader-supported transactions are more prevalent in respect of trades in emerging market currencies, particularly sales of such currencies by local market banks. The use of trader-supported channels is also more typical in very large value transactions.

Sources of income

The Group's total income in the FX business line is derived from the difference between the exchange rate the Group makes available to its customers and the rate that it receives from one or more liquidity providers from whom it sources the relevant currency. This revenue is largely derived from customers who need to exchange bulk amounts from one currency to another. Take rates vary significantly between currency corridors, and over time, based on liquidity dynamics. For the year ended 31 December 2022, the FX business line made up 58% of the Group's total income and at 31 March 2023 it made up 59% of the Group's total income.

Payments

Services

The Payments business line enables the Group's customers to execute payments around the world, including to and from some of the least well-served emerging markets, through various channels. A substantial majority of these transfers are cross-border and cross-currency transactions, conducted through the Group's payments channels, further described below.

The Group facilitates payments into end-recipient bank accounts and mobile wallets through an extensive network of local bank partners, local mobile network operators, and other financial service providers. See "*—Partner Network*". The Group utilises a combination of API integrations, SWIFT network access, and other transmission mechanisms to deliver these payments quickly, reliably, and inexpensively, regardless of geography or market complexity.

Channels

EMpower Payments

EMpower Payments is the Group's proprietary system, built around the internally developed payment gateway acquired with Segovia, that integrates with other critical operational systems and external providers. The platform is enabled across a bank and mobile payment gateway which, as at 31 December 2022, allows for payments into 61 currencies across 92 countries and provides real-time transaction status updates. Moreover, the platform offers competitive FX pricing, consistent settlement capability supported by a deep and dedicated emerging market banking network and a unified interface through the API and GUI, along with a range of different settlement options including bank and mobile payments. The platform is optimised for handling payments into emerging markets through its error-handling and highly optimised validations and constraint features. To use it, customers simply input instructions as single or bulk batches via a GUI or as an API request, with the option to schedule a specific send time. Payments requests are then validated, screened for AML purposes and verified for sufficient funds and then sent to the mobile network operator provider for disbursement to the end beneficiary. Throughout the payment process, customers are provided informative status updates on their systems via callbacks. The platform has grown quickly since it was launched in July 2021. Between 31 December 2021 and 31 March 2023, the Group increased the proportion of payments it made via API from less than 1% to 18%.

EMpower Connect

EMpower Connect is a multi-currency account solution for cross-border transactions that allows payments to be made in a wide range of currencies from a customer's single base-currency account. The platform is able to convert local currencies into destination currencies, thereby allowing customers to avoid receiving uncompetitive, non-market exchanges rates as well as exchange rate fluctuations. The product is optimised for intra-emerging market ("**South-South**") transfers.

EMpower Pensions

This platform is a comprehensive pensions payment management system designed to allow pension providers, including corporate and government entities, to send pension payments to their beneficiaries who live abroad. As such, it provides for cross-border payment execution, offering the Group's customers flexible payment options, real time status updates for payment returns and flexible reporting capabilities. The platform also provides the ability to complete digital proof of life checks on pension recipients using integrated biometric facial authentication technologies. The economics of the EMpower Pensions platform is different for legacy customers and those customers who have been onboarded more recently. For legacy customers, the Group provides a higher touch service that involves greater operational support. Consequently, the Group charges a payment fee in addition to earning a spread on currency conversion. For newer customers, the Group provides a less operationally extensive 'payments only' service. For those customers, the Group does not charge a payment fee, but earns its revenue entirely on the FX spread. Spreads in this business are generally larger than in other segments and operational costs are relatively low due to the efficiency of typically paying the same beneficiaries each month. In 2022, pension payments were made to approximately 10,000 recipients every month and as at 31 December 2022, 24 customers used the platform.

Sources of income

The Group's total income in its Payments business line is primarily derived from bid-ask spreads on foreign currency conversion and fees paid by customers to transfer money. Customers may incur additional fees for account management activities and operational support relating to payments execution. Revenue and income varies by transaction based upon factors such as channel, send and receive locations and principal amount sent. This revenue is largely derived from customers who need to move money from one country to a third party in another country. For

the year ended 31 December 2022, the payments business line made up 31% of the Group's total income, and at 31 March 2023 it made up 22% of the Group's total income.

Banking Services

The Group provides a range of other ancillary banking and other services to its customers, including money market accounts, trade finance services and financial consulting services.

Services

- **Banking:** The Group provides financial institutions and IDOs with banking operations. Notably, the Group provides transaction deposit accounts to emerging markets banks, which they can provide to their customers. This allows local parties to hold hard currency and transact in this currency as required. In many of the Group's target markets, it is one of very few western banks to offer this service, also known as currency clearing. These accounts are used to send money in the hard currency in question and as account holders must have sufficient funds to cover any outbound transactions, they typically hold significant deposits in these accounts.
- **Trade Finance:** The Group provides emerging market financial institutions with trade finance services such as letters of credit and guarantees, under which the Group guarantees to certain counterparties of its customers that customer payments to that counterparty will be received on time and in full. Eight of the Group's top ten trade finance customers are key liquidity providers in emerging markets and more than £250 million incremental FX volume was driven by overdraft usage in 2022.
- **Consulting:** The Group provides emerging market customers with selected consulting services, including assistance in implementing best practices and improving access to global markets.

Sources of income

The Group generates revenue and income from its Banking Services business line as follows:

- **Banking:** Net interest income on banking operations for customers that require such services (e.g., money market accounts). Income from banking is driven by interest rates and deposit volumes, which fluctuate to some degree, but are generally steady and comprise the majority of Banking Services income.
- **Trade Finance:** Fees associated with trade finance services such as letters of credit and guarantees.
- **Consulting:** The Group also generates fee income on banking operations for customers that require such services. Consulting fees are primarily related to risk management consulting fees which are billed and recognised as revenue when risk management services are provided.
- **Liquidity Platform:** Interest income and FX revenue and income generated by two live facilities.

For the year ended 31 December 2022, the Banking Services business line made up 11% of the Group's total income and at 31 March 2023, it made up 19% of the Group's total income.

Customers

The Group provides services to institutional customers, who manage their own end sender and receiver relationships. The Group had over 400 customers use its products and services as at 31 December 2022. In 2022, approximately 40% of customers only used FX products and services, approximately 20% used only Payments products and services, and approximately 40% used both of these products and services. The Group's customer-derived revenue is distributed with the top 15 customers represented approximately £54.0 million, or approximately 50%, of its total income, and its top three customers represented approximately £20.1 million, or approximately 18% of its total income in the year ended 31 December 2022. In the three years ended 31 December 2022, the Group's top ten customers accounted for between 35% and 40% of its total income in each year. The Group's largest customer contributed less than 10% of total income in the year ended 31 December 2022 and no one customer represented more than 7% of flows. In the same period, 13 of the top 15 customers used FX products and services and six of the top 15 customers used Payments products and services, with four using both FX and Payments products and services. In the same period, its top 15 customers included seven IDOs, five NBFIs, one major market bank, and two EMFIs, with relationships spanning between one and 30 years.

The Group has four major customer segments, outlined in the table below:

Customer Segment	NBFIs (which includes fintech companies)	IDOs	EMFIs	Major market banks
Typical Customers	Traditional and tech-based remittance	Multilaterals, state-sponsored aid	Caribbean, Pacific or African banks,	Any bank that does not specialise in emerging

	companies and exchanges.	organisations and Non-Governmental Organisations ("NGOs").	including central banks.	markets.
Illustrative Customers	<ul style="list-style-type: none"> Several major remittance companies 2 of the 4 largest major card network companies 3 of the largest exchange houses in the Middle East 	<ul style="list-style-type: none"> 2 of the top industrialised-country governments in the world 27 of the largest NGOs in the world 	<ul style="list-style-type: none"> 25 emerging market Central Banks A third of Africa's top 100 banks 	<ul style="list-style-type: none"> Bank customers across all parts of the world 3 of the world's top 20 banks (by total assets)
Percentage of total income for the year ended 31 December 2022	35%	30%	30%	5%
CAGR from 2020 to 2022 by Customer Segment	97%	144%	35%	161%
Typical Customer Requirements	A remittance company needs to pay out a sum of money to emerging market recipients.	An IDO wants to send \$20 million in foreign aid to a lower income country to support development.	A financial institution wants to offer its account holders the means of buying and selling in USD, EUR or GBP.	A bank wants the capability to safely send money to the 'last 100 markets' for its account holders.
Key Value Proposition Offered by the Group	Quick market access.	Reliable delivery without "leakage".	Access to USD, GBP or EUR clearing.	Manage emerging markets safely.

NBFIs

The Group serves consumer and corporate non-bank payment providers, predominately financial technology companies, around the world. NBFIs have frequent and consistent FX demand, given their role as an aggregator on behalf of their end consumers and corporates. This segment includes traditional high street remittance brands, including two of the world's top three high street remittance players, and new high-growth technology-led businesses. The main focus products for this segment are payments and FX. This segment often serves NBFI customers via the Group's API. As both a bank and an aggregator, the Group brings immediate scale and regulatory support for this segment in new or less core markets. In 2022, 4% of all emerging market NBFI flows were transacted using the Group. Some of these players may only intend to use the services of the Group temporarily while they develop their own infrastructure. However, there have been multiple instances of NBFI companies who remain with, or return to the Group, as a provider, finding it is more efficient and/or has a cost benefit to the customer to continue to use the Group's services in these markets rather than build up their own infrastructure in these markets. In the years ended 31 December 2020, 2021 and 2022, NBFIs accounted for £10 million, £16 million and £39 million of total income, respectively. In the year ended 31 December 2022, NBFIs represented approximately 35% of the Group's total income.

IDOs

The Group is a key partner to its customers in the humanitarian and international development sectors, supporting multilateral, government and non-governmental organisations as they send aid to some of the world's most challenging environments. IDOs typically require periodic large-scale transfers to emerging markets to enable operating activities and provide development aid. In particular, with the Group's assistance, these organisations can deliver FX and payments to hard-to-reach regions, including those suffering the consequences of war, disease and natural disaster. The Group's proprietary technology and solutions have been developed specifically to cater to the needs of these markets, to reduce the cost and friction associated with moving money so that more funds are delivered to those who need it most. Yearly volume per unique customer tends to be large, averaging over £90 million in 2022. In 2022, 13% of emerging market IDO flows were transacted using the Group. Many of these customers, particularly the largest multilaterals, are required by public procurement rules or similar requirements to put trades to tender. In general, 3-5 participants are invited to bid in these instances. Annual reviews with these customers indicate that the Group has approximately twice the win rate of its closest competition. In the years ended 31 December 2020, 2021 and 2022, IDOs accounted for £5 million, £18 million and £32 million of total income, respectively. In the year ended

31 December 2022, IDOs represented approximately 30% of the Group's total income.

EMFIs

The Group has worked with financial institutions in emerging markets since its foundation. The Group's customers include regional and local commercial banks, as well as correspondent banks. The Group has a significant presence in the Caribbean, the Pacific Islands, sub-Saharan Africa and in other regions. In particular, the Group's compliance capabilities allows it to facilitate USD, GBP and EUR clearing to these institutions. EMFI flows include both inbound and outbound flows and represent the majority of the Group's USD and GBP flows, in addition to emerging market flows. In addition to payments and FX, the Group provides these customers access to banking, trade finance and consulting. In the years ended 31 December 2020, 2021 and 2022, EMFIs accounted for £17 million, £18 million and £33 million of total income, respectively. In the year ended 31 December 2022, EMFIs represented approximately 30% of the Group's total income.

Major market banks

In recent years, the Group has begun to provide services to established banks headquartered in developed markets to help them with flows on behalf of their account holders into the 'long tail' of emerging markets. Here, the Group often replaces historical SWIFT-based correspondent networks, many of which are expensive, opaque and multi-step. The Group has three of the top twenty banks in the world by size as customers, with two onboarded since December 2021, and a third currently going through the on-boarding process. It is the Group's expectation that these customers will largely access its payment and FX services via API, and will require a mix of central treasury and back-to-back transactions, much like the NBFIs customers. In the years ended 31 December 2020, 2021 and 2022, major market banks accounted for £1 million, £2 million and £6 million of total income, respectively. In the year ended 31 December 2022, major market banks represented approximately 5% of the Group's total income.

Illustrative customer relationships

The following customer relationships are examples chosen to give an impression of the type of products and services the Group offers to its customers. The customers illustrate an example of the products and services the Group has provided in each of its four major customer segments, but are not representative of all customers or products and services provided by the Group within each customer segment.

- *NBFI - Leader in FX and international payments:* This customer serves corporate customers across 130 currencies and 200 countries and needs access to FX and payments solutions that cover a large number of markets and have competitive pricing and reliable delivery. The Group is able to use its network and liquidity to provide this customer with a more competitive service than incumbent bank partners, causing the customer to increase volumes with the Group by 181% between 2020 and 2021.
- *IDOs - Set of intergovernmental organisations:* This customer has over 37,000 employees across 193 countries and needs to be able to access funds for peacekeeping, humanitarian assistance and development programmes across all of these locations. The Group supports this IDO as their largest FX provider for emerging market currencies, with a more than 40% win rate, twice that of the next best provider.
- *EMFI - East African central bank:* This customer is the central bank of one of Africa's 10 most populous nations and has a key function of facilitating repayment of foreign debt incurred by the nation. The Group allows the central bank to repay its foreign debt against sale of local currency rather than using its USD reserves. The solution provides the central bank an opportunity to protect valued USD reserves at a time when import bills are at historic highs, while in turn enabling the Group to capture flows in this corridor from the development sector that were previously lost to competitors. The central bank has used this service for \$27 million since 31 March 2022.
- *Major market banks - Global bank:* This customer facilitates substantial cross-border flows for Corporate and B2C customers across the globe and, before working with the Group, faced issues with sub-optimal pricing and settlement delays. After switching to the Group, the global bank increased its use of the Group's products and services from only 3 currency corridors as at 30 June 2021 to 15 currency corridors by 30 June 2022.

Customer economics and retention

The Group manages both treasury flows and flow for customers of customers. Treasury flows are more typical for the IDO and EMFI customer segments and flows for the customers of customers are more concentrated within the NBFI customer segment. For the year ended 31 December 2022, the average ticket size for all customers was over £100,000; the IDO and EMFI customer segment had an average transaction value of over £500,000 and £150,000 respectively, whilst the NBFIs had an average of approximately £100,000.

The Group had 96% customer retention in the three years ended 31 December 2022, and out of those customers not

retained, none were in the Group's top 50 customers. Because customers have historically tended to use more products and services and expand geographically over time, the Group had an average Net Revenue Retention of 150% for its Customer Cohorts for the five years ended 31 December 2022, with Net Revenue Retention never going below 105% in this time period. In the year ended 31 December 2022, Net Revenue Retention was 198%. In total, there were only 14 customers who generated more than £10,000 in revenue in 2020 who did not trade in 2022. These customers represented only 2% of revenue in 2022. The Group's customers are located in Africa, Europe, the Americas, Asia Pacific, the Middle East and Northern Africa and a variety of other jurisdictions.

Sales, Marketing and Relationship Management

The Group's sales, marketing and relationship management activities are designed to attract new customers and prospects to the Group's platform and to retain its existing customer base. The Group's broad-based sales approach is deployed based on customer needs, product requirements and the Group's market presence, and currently emphasises core payments and FX products and services. The Group uses metrics such as net promoter scores and customer surveys to gauge product and service appeal and enhance its sales practices. At the Group level, there is a strong focus on adopting best practices, monitoring the sales pipeline and using sales efficiency tools such as Dynamics 365, which allow the Group to follow-up on leads. To maximise cross-selling and brand awareness, the Group focuses on internal and external training, workshops and conferences and industry forums that allow for enhanced product knowledge. With regards to its FX and payment products and services, the Group has an International Sales Policy which sets the parameters that must be adhered to across the Group in relation to approaching and offering services to current or prospective customers incorporated or established outside of the United Kingdom. See "*Regulatory Overview—Regulation in the Rest of the World*".

The Group has a strong potential customer pipeline. As at 31 December 2022, the sales team had onboarding agreements and was actively gathering information to sign 66 potential customers, and was actively in business development conversations with 93 more potential customers. The Directors believe a large percentage of this pipeline will translate into customer relationships. New customer relationships can take anywhere from around six to 18 months to solidify, with major market banks generally requiring a longer period of time to convert to customers.

Sales and Marketing Team

All of the Group's sales and marketing personnel are currently based in the United Kingdom.

The Group's sales team is organised by customer type. The Group has significantly invested in its sales and marketing team, increasing its sales team from 23 FTEs as at 31 December 2020 to 33 FTEs as at 31 December 2022, which sales force includes 7 FTEs in trading roles and 7 FTEs in sales support roles. In addition to new employees, the Group is also expanding the geographic footprint of its sales team to allow for a local and regional focus, which enables more face-to-face interactions with customers. In addition to the 33 Sales FTEs, the Group also had 14 FTEs working on growing its network and on international expansion at 31 December 2022, up from only 4 at 31 December 2020. The Group is currently taking steps to expand further into the European market with plans to acquire an EU payments licence to build more use-cases and subsequently serve more customers. This will enable the Group to solicit customers directly as part of the Group's growth strategy. It also hopes to move into Asian or American markets after the European base is established. In addition, the Group has also created a strategic sales team that is responsible for expanding the currency corridors used by current customers, converting leads into new customers and educating customers on the Group's products and services.

Sales and Marketing Operations

In order to attract new customers to the Group's platform and to retain its existing customer base, the Group devotes resources to increasing trading and payment activity through digital and offline marketing, as well as customer education programmes and webinars, and it tracks and develops customer "leads".

Digital Marketing

Maintaining an online presence is an important part of the Group's marketing strategy. The Group uses its website, emails and social media channels, including LinkedIn, Twitter, Facebook and Instagram, to promote its products and services to existing customers and prospects. The Group's paid marketing efforts focus on social media, search engines and audio channels. In addition, the Group advertises on third party and affiliate websites and utilises search engines (both search engine optimisation and advertisements on search engines) to attract potential customers and promote its brand.

Offline Marketing

The Group also engages in certain targeted offline marketing in more traditional media channels such as print

advertising. In addition, the Group engages in thought leadership efforts and its management makes increasingly regular appearances at industry events, including panel discussions, trade shows, conferences and roundtable events, such as the Money 2020 Europe podcast, the Commonwealth Enterprise and Investment Council panel, the Alternative Farming Systems Information Center panel and the Gabon roundtable. The Group has strong relationships with international organisations such as the World Bank Group, the International Monetary Fund and other development finance institutions, as well as central banks and other regulators, which it is able to leverage to expand its network in emerging markets. Leveraging these connections allows the Group to develop relationships with local banks more easily, which helps it to move into, and become competitive in, new markets more quickly.

Education

The Group has made a strategic decision to continue to invest in expansion and development of a range of educational tools and services for its customers, including a product update newsletter, live seminars, webinars, e-programmes and educational videos which are provided by a Group in-house team with the assistance of third party video production companies. The Group also offers free demonstration videos of the Group's platform for potential customers to familiarise themselves with the Group's product and its interface. These offerings help to ensure that customers are provided with the support to meet their trading, payment and educational needs.

Maintaining Customer Relationships

The Group maintains a dedicated sales trading and relationship management team that is responsible for trade execution and provides a direct point of contact to customers on a day-to-day basis and ensures their needs are met. The Group's separate sales team is responsible for encouraging customers to expand into new currency corridors and to use additional products. In addition, the Group's customer services team provides customer support, managing queries via phone, email and live chat, and is responsible for extending the customer lifecycle.

Partner Network

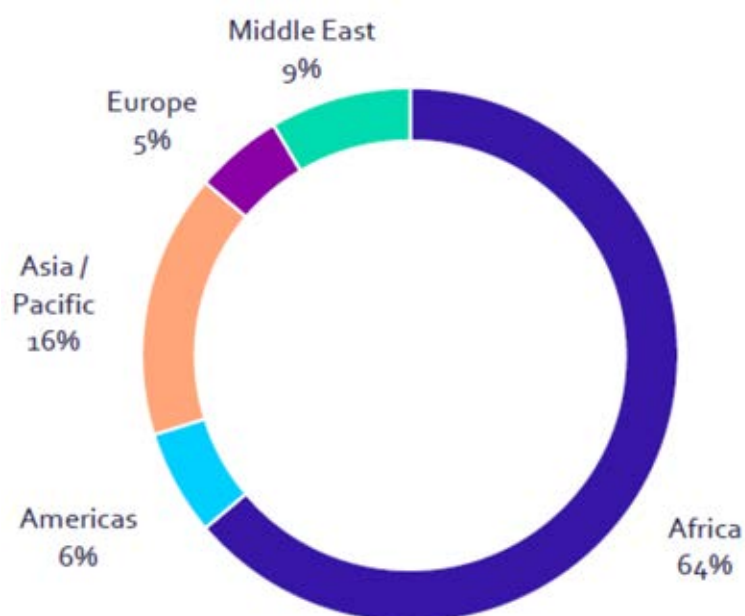
The Group has benefitted from its more than 180-year operating history and has been able to establish a deep partner network and foster trusted market relationships, allowing global coverage. It has a privileged and trusted relationship with many central banks and has been invited to provide advice at central bank roundtable events in a number of regions. The Group has deep connections in emerging markets, with, as at 31 December 2022, capabilities across over 550 currency corridors and currencies across more than 150 countries. In total, as at 31 December 2022, the Group has 218 global and local liquidity providers, including 25 central bank relationships. Such liquidity providers include NatWest Group, Bank of Africa, Société Générale and First Rand. This extensive partner network underpins and enhances the Group's established reputation as a trusted partner, further improves customer experience and facilitates the Group's entrance into hard to reach markets. The Group makes use of its partner network to provide competitive prices and fast settlement to its customers around the world. Generally, partners provide same day settlement as long as the Group provides payment instructions by their cut-off time. This enables the Group to increase its own trading volumes with minimal marketing cost and without the need to set up a new office to expand its volumes into existing or new currencies. The partners that are also customers of the Group receive access to the Group's services and products.

The Group's partner network is based on the following key partner categories:

- *The Group's Local Bank Account Network and additional liquidity providers:* The Group's Local Bank Account Network comprises demand accounts in the Group's name held with various local banks, and is used for local currency accounts. The Group's Local Bank Account Network experiences some fluctuations as accounts are opened and closed in the ordinary course, however, it has grown from 47 accounts in 2017 to over 135 local currency accounts as at 31 December 2022. At any given time, approximately 50% of the Group's local bank account balances are in G10 currencies with rated banks, with the remainder held in unrated banks.

The Group also sources various currencies from both its Local Bank Account Network as well as liquidity providers. Moreover, the Group partners with additional global and local liquidity providers (some of whom are also local banks at which the Group holds accounts) to source local currency, which is then transferred to a local bank account for delivery to the customer's counterparty. Beyond 2023, the Group expects to explore partnerships with additional banks to expand its Local Bank Account Network as a basis for growth.

The chart below shows where the Group has local bank account providers around the world:



- *Liquidity providers:* The Group also partners with 218 global and local trading partners who have been through due diligence and credit assessments. These partners transact with the Group on its FX transactions. Some quote prices directly through the EMpower FX platform and other trade directly with the Group's trading floor. More than 95% of liquidity providers are banks.

There is significant overlap between the Group's liquidity providers and its Local Bank Account Network. The table below illustrates how many providers the Group has in each category:

	2018	2019	2020	2021	2022
Local bank accounts and liquidity providers	61	85	100	120	135
Liquidity providers only	15	16	22	53	83
Total	76	101	122	173	218

- *Third party providers ("TPP") currencies:* In markets where the Group does not have a local bank account or the Group is unable to open local bank accounts due to local regulations, it works with its TPP to source local currencies and make payments on the Group's behalf. TPPs are usually local or regional banks, however, they may also be other payment providers.
- *Last-mile partners (mobile money operators):* The Group also partners with a range of mobile money operators, who are integrated into the Group's mobile payment gateway, as well as global and regional aggregators to send them non-bank last-mile payments.

The Group has a dedicated partnership team that identifies the best providers to use in any given market, based on extensive market research and analysis. Potential partners undergo extensive due diligence checks, including sanctions screening, in the first instance by the Group's partnership team, which typically engages in onsite visits to ensure that the Group sources the best providers. Once the partnership team is comfortable with the potential partner, the potential partner proceeds to the next steps of on-boarding by various departments within the Group. The Group undertakes enhanced due diligence on each prospective partner, as well as the country where the potential partner operates, to better understand the relevant legal and regulatory landscape. The Group also seeks to confirm that the potential partner has the requisite licences and/or authorisations to provide the proposed services and operate in its relevant jurisdiction (and the contractual arrangements between partners and the Group also typically contain provisions to ensure that the partners remain suitably authorised throughout the term of the agreement). The Group also undertakes an ongoing monitoring programme for partners throughout the life of the relevant relationship, including reviews every one to three years depending on the partner's risk rating or as a result of any significant adverse media or other publicity information about any partner. Each territory has a dedicated partnerships manager who is expected to maintain regular contact with the Group's partners, with on-site visits where appropriate. Various members of the team are also assigned responsibility for monitoring ongoing developments in specific geographies to ensure maintenance of up-to-date knowledge of each region. These measures help the Group to create a strong and

reliable partner network.

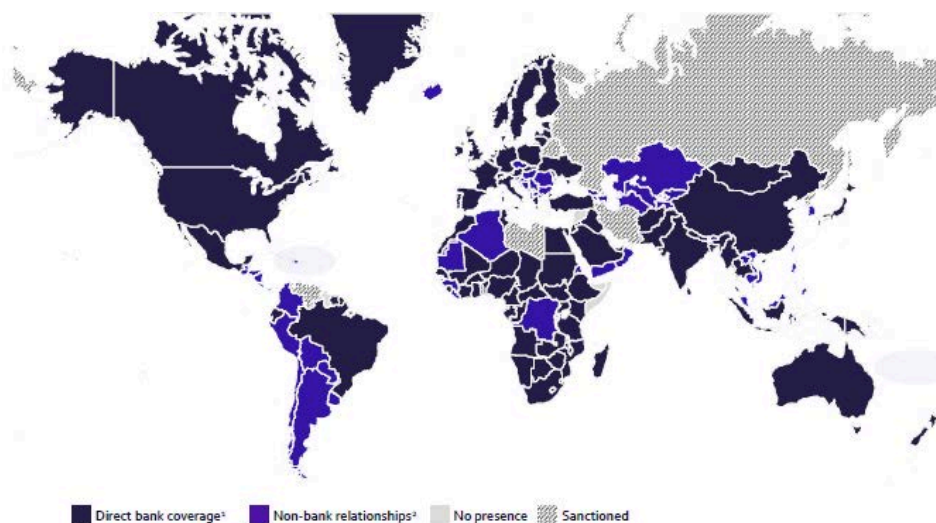
Market Coverage

As at 31 December 2022, the Group has market coverage in over 150 countries and the Group's platform allows customers to send cross-border FX and payments directly across 100 currencies and indirectly, utilising brokers and/or intermediaries, to more than 140 currencies.

The Group categorises its market coverage into the following markets:

- *Developed*: This includes OECD and other European countries. These countries have mature and largely commoditised payment markets.
- *Emerging*: This includes non-OECD Asia Pacific, the Middle East, the Caribbean, Latin America, Africa and BICS.

The Group is positioned as a specialist payment provider in emerging markets.



(1) Coverage via primary bank accounts or partnerships with local banks

(2) Coverage via another financial institution

See also "*Market/ Industry Overview*".

Technology and Operations

The Group operates a comprehensive technological product suite with robotic process automation to cover the full breadth of its operations, consisting of purpose-built, pan-regional, omni-channel and fully integrated technology platforms across its business lines. The platform had 99.9% uptime for the year ended 31 December 2022, benefits from AML procedures fit for a bank, and industrial-grade encryption. These platforms provide the Group with secure, enterprise-grade integrations, strong and scalable operating efficiency, broad-based functionality, operational agility, and the ability to support ongoing product innovation, in support of the Group's strategic priorities. Customers are able to access a holistic, global, multi-rail platform, which provides a one-stop interface for customers across the FX and Payments business lines.

As at 31 December 2022, the Group employs a highly specialised and extensive in-house IT infrastructure and engineering team of more than 66 FTEs working in product, tech and network. The table below shows the growth of the Group's product, tech and network FTEs for the periods indicated.

	As at 31 December		
	2020	2021	2022
<i>FTEs in Product</i>	2	9	16
<i>FTEs in Tech</i>	15	19	36
<i>FTEs in Network</i>	4	4	14

This team works to ensure the resilience of the underlying technology, including IT engineering and support for its trading application, infrastructure support, business application support and IT security. In particular, the Group's software engineers build and maintain certain of the Group's proprietary platforms and products, including the

Payments Gateway and MuleSoft, while third party suppliers build and maintain Silverlake and Celer, for example. These platforms and products are wide ranging providing for the specific challenges of payments and FX within the highly specialised emerging markets the Group serves. This includes integrations with payment rails, facilitation of end to end payment flows, cross currency payments, process automation, reporting, accounting, FX trading, and multiple customer facing channels. During the year ended 31 December 2022, the Group invested £4.6 million in intangible assets, which related to major improvements to the overall performance and capacity of the Group's payment and transaction platforms. Since September 2020, the Group has improved its transaction screening engine, reducing transactions that are delayed or require manual intervention by 82%. The Group's core network and infrastructure systems are fully supported by the Group's IT support staff, 24 hours a day, 365 days a year.

Key Underlying Technology Platforms

Payments Gateway

The Group's proprietary Payments Gateway offers a single interface to NBFIs and banking customers in the Group's network and is specifically optimised to meet the requirements of the Group's IDOs and financial institution customers who want to pay consumers and businesses across emerging markets with a focus on speed, reliability and security of the payments. The Payments Gateway utilises cloud technology to provide a highly scalable platform built for volume payments. The Group believes that it has significant headroom to scale volume, currently having a capacity to process more than 20 times the current payment volumes, with initiatives planned to increase this further. The Group expects future investment in the Payments Gateway to be limited. However, as the Group expands into new jurisdictions, it may be faced with additional regulatory requirements, including in respect of data protection. Adapting the Payments Gateway to such additional regulations will likely create additional costs.

MuleSoft

MuleSoft is an integration platform, which provides a highly scalable and flexible integration layer between the Group's systems allowing it to quickly and securely integrate with new internal and external services. It is used to ensure connectivity between the Group's software applications, which allows for more reliable and secure performance.

Celer

EMpower FX offers the Group's customers its FX trading capability, which has been customised for the Group and is supported by Celer Technologies, a third party supplier. The Celer platform is tightly integrated with the wider Group application landscape via MuleSoft to provide customers with access to both real time pricing data and trading via third party platforms such as 360T and Bloomberg. This allows for a streamlined and customisable experience for customers by enabling trading through multiple channels. The platform has been integrated with the payment gateway to create seamless cross-currency payment workflows.

Core Banking System

The Group's core banking system is Silverlake Symmetri CBS. Combined with the Group's Payments Gateway, the system has the capacity to process five times the current number of transactions.

Nimbus Billing

The Group's newly developed billing system centralises billing into a single repository and automates the end of the month billing process. This centralisation and automation significantly improves reliability whilst reducing manual processing, which in turn enables reduced risk and increases employee capacity.

Data Centres

To help ensure reliability and availability of the Group's systems, the Group leases server space at two secure, independent Tier 1 data centres each with separate power and network connectivity. Either data centre can support the Group's systems in full, and critical data is replicated between the sites in near real time to minimise downtime in the event of a significant failure. Furthermore, performance testing has shown that the Group's systems are capable of handling more capacity as the Group, and its data system needs, grow.

In addition to the data centres, the Group also uses Amazon Web Services for infrastructure services.

Data and Cyber Security

The Group views data and cyber security as a key part of its IT and overall business strategy and such risks across the Group are managed in accordance with the wider Enterprise Risk Management Framework ("**ERMF**") to ensure

that security risks are timely identified and remediated. Moreover, as a PRA-regulated bank, the Group is required to undertake a yearly assessment to determine the resilience of the cyber security framework and perform remediation and improvements to the cyber landscape. The Group expects to continue to invest in its IT security team. Key customer and trade data is stored on the Group's internal systems and network, which is segmented and protected by multiple layers of firewalls and security software. It should be noted that the vast majority of the Group's business is corporate flows, so there is minimal need to hold personal level data as part of the business. In addition, the Group's IT architecture has a limited footprint which reduced the number of potential entry points into the system.

On-boarding process

The Group's initial contact with prospective customers is generally conducted through its sales team, who conduct outreach and also receive inbound requests, often as a result of referrals from existing customers, through introductions at relevant industry trade events, or from prior working relationships. Prospective customers are required to complete an application which is reviewed and acted upon by the Group's risk function.

An assessment of the customer's appropriateness for an account is made according to the Group's manual, internal on-boarding process. New customers move from their initial contact with the sales team to the customer implementation team for document gathering and then onto the customer due diligence team for screening. The customer lifecycle team then approves or rejects the customer. This assessment of appropriateness of a product for a customer or prospective customer is based on the research done by the previous teams and on chapter 10 of the FCA's Conduct of Business sourcebook in the United Kingdom and similar requirements in other jurisdictions. The Group shares its onboarding procedures with regulators upon request. Once a customer is approved, they work with the static data team on account set up.

Due diligence procedures, including KYC and AML checks, are undertaken during a customer's on-boarding process. The Group has 34 FTEs who work on the risk team, with 13 of them focused solely on AML. AML costs (which include staff and non-staff costs) were approximately 7% of the Group's operating expenses for the year ended 31 December 2022 and the number of FTEs dedicated to AML functions represented approximately 10% of the Group's FTE's as at 31 December 2022. The Group uses leading vendors including EastNets Safewatch Profiling for electronic identity verification and Dow Jones Web Interface for sanctions screening, which are fed into the Group's bespoke, digital solution. The Group has developed this bespoke, digital solution which automates a significant amount of data sourcing, analysis and population to allow its anti-financial crime team to focus their experience on "question and answer" and review whilst increasing throughput and efficiency. These procedures are periodically reviewed during the customer's relationship with the Group. Internal and external checks are performed to ensure that the customer is not restricted from opening an account with the Group due to previous issues with the customer's interaction with the Group or due to international sanctions (e.g., the US Treasury Department's Office of Foreign Assets Control ("OFAC"), HMRC etc.). Transaction monitoring scenarios look at geographical risk as well as customer risk. In addition, CAB perform a review of country risk ratings at least annually that includes the use of Refinitiv.

See also "*Risk Management—Financial Crime Risk*" and "*Regulatory Overview—AML and Financial Crime*".

Credit Underwriting and Collections

Some of the Group's revenue is generated through trading activities which are not pre-funded, which trades expose the Group to credit risk in the event the customer does not subsequently provide the funds for the trade. The Group is also exposed to intra day FX pricing risk and overnight FX pricing risk at the levels set by its risk management policies. The Group follows detailed application credit review, account management, and collections procedures for its customers. The credit review includes a combination of quantitative, third party credit scoring models, and judgemental underwriting based on customer financials.

The Group employs a variety of tools to manage risk in its portfolio, including: billing frequency, payment terms, spending limits, payment methods, delinquency suspension, and security. The Group uses fraud detection programmes, including proprietary and third party solutions, to monitor transactions and prevent misuse. The Group monitors the credit quality of its portfolio, periodically utilising external credit scores and internal behaviour data to identify high risk or deteriorating credit quality accounts. The Group conducts targeted strategies to minimise exposure to high-risk accounts, including reducing spending limits and payment terms or requiring additional security. All credit decisions are overseen by the Group's credit committee and are kept within the risk appetite parameters set by the Board.

See also "*Risk Management—Credit Risk*".

Payment Screening and Transaction Monitoring

All payments processed by the Group undergo real-time sanctions screening before being released. The Group does not handle any cash transactions. The Group uses an automated third party screening tool, EastNets SafeWatch

Filtering Tool, to scan each payment. Payments are screened against OFAC, His Majesty's Treasury, European Union and United Nations consolidated sanctions lists to enable the Group to block payments to sanctioned, embargoed or otherwise not permitted entities, in line with the regulatory and legal compliance.

The Group has also invested in machine learning software, provided by the same screening vendor, to reduce the false positive rate so that screening analysts can focus on alerts which present the highest potential risk, and minimise disruption to permissible payments. This improves the efficiency of alert processing, allowing the Group's expert staff of over 30 dedicated risk and compliance employees as at 31 December 2022, to focus on alerts which present risk, and minimise disruption to appropriate payments. In particular, the Group has built a digital platform to automate certain routine processing tasks in both the Payments and FX business lines such as automating payment processes, Swift payment investigations and FX transaction processing. This has created capacity to support substantial volume growth without associated headcount increases. It also allows employees to focus on navigating complex currency corridors, resolving difficult exceptions, and getting liquidity in the right places to enable settlement.

KYC Screening

In addition to screening all payments, the Group also screens all related and associated parties of the Group's customers that are identified as part of the on-boarding process. This occurs on a daily basis, and involves screening the customers, their ultimate beneficial owners, directors, authorised signatories and shareholders, against the latest versions of the sanctions, Politically Exposed Persons and adverse media lists. This screening process is carried out via the EastNets SafeWatch Filtering system.

Transaction Monitoring

All payments processed by the Group are also subject to automated anti-money laundering monitoring, which involves retrospectively running a range of scenarios across historical payment data to identify unusual patterns, trends in behaviour, or red flags which may indicate the presence of money laundering. Any activity that is identified is investigated by analysts and any activity that is deemed to be suspicious is submitted to the UK National Crime Agency (or equivalent local authority) as a Suspicious Activity Report.

The Group currently uses the EastNets SafeWatch Profiling system for this analysis, and is currently implementing the "Nice Actimize" monitoring solution, which is a widely used anti-money laundering monitoring platform for Tier 1 banks in the United Kingdom and globally. The purpose of this upgrade is to improve the effectiveness and efficiency of the tool, by utilising the profiling logic in a more targeted way. The Group expects the new monitoring solution to be in place by the second half of 2023.

New Capabilities, Product Improvement and Research

Core, Short-Term Capability Enhancements

The Group is continuously seeking to build and improve on its core product offering. These enhancements are delivered in an agile fashion to realise value as quickly as possible. The focus is on the following areas:

- *Send market coverage*: The Group is taking steps to expand further into the European and American markets with plans to acquire an EU payments licence, which would enable it to engage in more direct customer solicitation and marketing activities to reach new customers in the European Union.
- *Network*: The Group is strategically enhancing its network capability through direct bank integrations in emerging markets to allow it to process larger volumes of payments at a lower cost in key currency corridors.
- *Payments Gateway improvements*: The Group continues to invest in its Payments Gateway functionality to improve customer experience, reduce operational friction and ultimately improve the end-to-end efficiency of payment execution.
- *EMpower FX improvements*: The Group continues to make improvements to the EMpower FX application, in conjunction with its vendor Celer, to enhance customer and dealer experience, refine pricing capabilities and ultimately improve the proportion of trades which are executed in an automated fashion, eventually reducing the link between volumes and personnel headcount.
- *System scalability*: The Group continuously optimises interfaces between applications, and the non-functional capabilities of these applications, to ensure that the overall product architecture is scalable in line with its transaction growth ambitions. The Group expects to continue to invest in its platform and applications, with the aim to maintain a system with a headroom capacity of 10x its usage.

Adjacent Opportunities

The product, technology and commercial teams conduct customer and market research on an ongoing basis to identify

adjacent areas of customer needs which the Group could seek to address with an expanded product set. Ideation is in train for a number of new products which could be complementary to the Group's core offering:

- *Forward, swaps and derivatives*: Additional FX products that can complement the Group's current offering.
- *Receive market capabilities*: The ability to collect and repatriate funds in emerging markets, typically contingent on appropriate licensing capability.
- *Additional payment modalities*: Settling payments through a wider range of channels, for example via direct integration with local clearing systems, through expanded mobile connections and through selected alternative payment mechanisms.
- *Digital currency settlement*: Using stablecoins and central bank digital currencies to reduce settlement time.
- *Corporate proposition*: Expanding to serve global corporates with sophisticated FX and payments needs.

Intellectual Property

The Group's proprietary intellectual property is an important part of its business and includes internally developed software utilised in the EMpower Payments platform, as well as registered and unregistered trademarks, unregistered copyrights and domain names. The Group continues to develop intellectual property through its investments in technology in parallel with the development of its business model. The protection of such intellectual property is important to the success of the Group's business. The Group regards certain aspects of its internal operations, software and documentation as proprietary, and seeks to protect its intellectual property rights by relying on applicable laws and regulations in the countries where it is active, as well as UK and international regulations and a variety of administrative procedures. The Group also relies on contractual restrictions to protect its proprietary rights when offering or procuring products and services, including confidentiality, IP rights and invention assignment arrangements entered into with its employees, partners and contractors.

Employees

The table below provides an overview of the Group's employees and FTEs (which includes the Group's employees, contractors and consultants) employed as at 31 December 2020, 2021 and 2022 and 31 March 2023.

	As at 31 December		As at 31 March	
	2020	2021	2022	2023
Employees	170	175	242	282
FTEs	176	195	284	310

The Group considers its employee relations to be good and it scores highly on annual employee engagement surveys. For the year ended 31 December 2022, the Group had an employee engagement rating of 88% (based on third party surveys conducted which evaluated employee metrics to measure engagement including pride, care and longevity in the work force), up from 78% in 2018. To the Directors' knowledge, the Group has also never experienced a work stoppage. Key pillars of the Group's human resource strategy include providing leadership and talent growth opportunities for its employees, attracting the best talent, fostering a collaborative and inclusive workplace culture, operating a digital and data-driven human resource function while ensuring high employee engagement. As a part of this strategy, the Group has mandatory training programmes for all employees, which include a combination of eLearning and classroom based courses. As at 31 December 2022, the Group had an average employee turnover rate of only 8.3% and 36% of its employees had a tenure of over 3 years. The Group also continues to recruit new employees. As at 31 December 2022, 38% of employees had been with the Group for less than one year and the Group had met more than 80% of its recruiting targets.

Property

As at the date of this document, the Group has its corporate headquarters in London in the Borough of Sutton, United Kingdom, and has additional office space in London and some of its technical team occupies a co-working space in New York. The Group expects that suitable additional or alternative space will be available on commercially reasonable terms to accommodate further expansion of the Group's operations.

Environmental, Social and Governance

The Group has built an ESG framework that embeds ESG into its way of working. The Group aims to integrate ESG standards into everything it does and is committed to transparency and accountability in its work. Furthermore, the Group aims to create a material positive impact on society and the environment through its business and operations.

The Group's ESG strategy aligns to the SDGs and the Group has ESG performance indicators at an executive level.

Key ESG highlights of the Group include:

- The Group intends to champion equal rights, diversity and inclusion, and as at 31 March 2023 had an employee base that was 39% female and 43% people of colour. The Group aims to increase these numbers further and has set a target to increase its employee base to 45% female by 2024, with 30% of senior management roles to be filled by women. At 31 March 2023, the Group had 20% of senior management roles filled by women and at Admission the Group expects to have a board that is 60% female. It also has targets to encourage employees to participate in social impact volunteering.
- The Group provides access to financial markets to benefit the underserved and hard-to-reach and is a leading facilitator of development aid flows due to its concentration on emerging markets. The Group believes it drives financial inclusion by providing the channels to make financial services accessible and affordable, enhances transparency, security and traceability in financial markets and facilitates cost-effective transactions for multilateral development banks, businesses and charities, which ultimately strengthen local economies.
- The Group has incorporated social impact programmes as 50% of its offset strategy focus for 2021.
- The Group measures GHG emissions and tonnes of CO₂ equivalents ("tCO₂e") reduction targets, and reports their findings to the Board on a quarterly basis. The Group's tCO₂e reduction target as at 31 December 2022 was 5% per one million in revenue year on year. For the years ended 2020, 2021 and 2022, the Group emitted tCO₂e of 214, 219, and 1721 respectively. The numbers in 2020 and 2021 were exceptionally low due to COVID-19 and are not representative of normal tCO₂e levels for the Group. In 2022, the tCO₂e levels grew as a result of the lifting of travel restrictions and increased business travel by the Group, but also reflected an increase compared to 2019 levels due to the Group's overall growth.
- The Group has been certified carbon neutral since 2019 (which is achieved through the purchase of offsets), and seeks to use renewable energy where it can.
- The Group received ecovadis gold rating through March 2024.
- The Group has applied for a B Corp certification.

The metrics the Group uses to measure its ESG performance are subject to risks and uncertainties. See, "*Risk Factors—Risks Relating to Business and Industry—Increasing scrutiny and changing expectations from investors, customers, regulators and the Group's employees with respect to the Group's ESG practices may impose additional costs on the Group or expose it to new or additional risks and the ESG metrics the Group uses to measure itself may not prove to be effective measures of ESG compliance or may come into question*".

Insurance

The principal risks covered by the Group's insurance policies relate to losses related to public/products liability, business interruption, cyberattacks, crime and civil liability, and directors' and officers' liability and certain other coverage consistent with customary practice for the type of business the Group operates. The Group believes that its insurance coverage, including the excess set, maximum coverage amounts and terms and conditions of the policies are standard for the Group's industry and are appropriate.

Current Structure

For a comprehensive list of the Group's subsidiaries, see "*Additional Information—Significant subsidiaries and subsidiary undertakings*".

REGULATORY OVERVIEW

OVERVIEW

The Group operates in a highly regulated industry and is subject to numerous laws and regulations in the United Kingdom and must comply with the laws and regulations in the various jurisdictions in which it operates and/or provides its products and services to customers.

UK banks must be authorised and are subject to regulatory supervision. CAB, as a credit institution, must comply with the relevant UK legislation and regulatory rules. CAB is authorised by the UK Prudential Regulation Authority (the "**PRA**") and regulated by both the PRA and the FCA. Its activities include deposit taking, dealing in foreign exchange and providing certain payment services activities. The Group has also applied for an EU payments licence in the Netherlands.

In respect of its FX and payment products and services, the Group has an International Sales Policy which sets the parameters for employee's conduct in relation to approaching, and offering services to current or prospective customers incorporated or established outside the United Kingdom. The International Sales Policy takes into account applicable law and regulations in a variety of jurisdictions, on the basis that regulation of payment services providers is typically driven by where customers are located and how customers are approached for business. The Group's customers are located in Africa, Europe, the Americas, Asia Pacific, the Middle East and Northern Africa ("**MENA**") and a variety of other jurisdictions.

The Group has created comprehensive legal, risk and compliance policies. The Group's business is responsible for implementing policies and procedures adopted to manage legal, risk and compliance risks and the Group's risk and compliance function is responsible for oversight of all aspects of the financial crime compliance (including KYC verification, customer due diligence and fraud prevention) and complaints.

The following, while not exhaustive, is a description of the regulations that are most material to the Group's business.

Please also refer to "*Risk Factors—Regulatory and Legal Risks*".

REGULATION IN THE UNITED KINGDOM

UK Banking Legislative Framework

UK financial services legislation is a combination of UK and legacy EU-derived legislation, reflecting the United Kingdom's position as a member of the European Union until 31 January 2020. The FSMA is the primary UK statute governing the regulation of banking and financial services in the United Kingdom. It also gives powers to the PRA and the FCA to make rules and guidance for firms within the scope of the FSMA regulatory regime. FSMA makes it a criminal offence to undertake regulated activities by way of business – or to promote financial services or products – in the United Kingdom unless duly authorised or exempt. The list of regulated activities that a bank may undertake is set out in the FSMA (Regulated Activities) Order 2001 (the "**RAO**").

Separate UK legislation governs the provision of payment services, and the issuance of electronic money (the "**Electronic Money Regulations 2011**").

Much UK banking regulation is derived from EU directives and regulations. FSMA and the secondary legislation and regulators' rulebooks made under it implement a number of European law directives into UK law. European regulations, which until recently were directly applicable, are the other key source of UK legal requirements for UK banks, including the Capital Requirements Regulation (Regulation (EU) 575/2013) ("**CRR**"), the Market Abuse Regulation (Regulation (EU) 596/2014 ("**MAR**")) and the Markets in Financial Instruments Regulation (Regulation (EU) 600/2014 ("**MiFIR**")).

Following the end of the Brexit implementation period on 31 December 2020 ("**IP Completion Date**" or "**IPCD**"), EU law ceased to apply in the United Kingdom. Under the EUWA, EU and EU-derived legislation and regulation was amended and incorporated into UK domestic law in a process colloquially known as "onshoring". In very broad terms, the onshoring of EU legislation has been conducted by the UK authorities in such a way as to preserve the substantive requirements that existed prior to IPCD, while reflecting the United Kingdom's status outside the European Union. To illustrate, each of CRR, MAR and MiFIR now apply to UK banks as "onshored" by the EUWA and are referred to respectively as UK CRR, UK MAR, and UK MiFIR.

Financial Regulators

The PRA and the FCA are the lead UK bank regulators. The PRA is the prudential regulator for banks and has a statutory objective to promote the safety and soundness of the institutions it regulates, with a view to ensuring the stability of the UK financial system. The FCA has responsibility for conduct of business regulation in relation

to all authorised firms, the prudential regulation of firms not regulated by the PRA, and various market regulatory functions.

The FCA has a strategic objective to ensure that the United Kingdom's financial services markets function well. The FCA also has operational objectives to protect consumers, maintain market integrity and promote competition in the interests of consumers. The FCA also has responsibility for regulating investment services, payment services, retail consumer lending and insurance distribution.

The Bank of England ("**BoE**") acts as the resolution authority, with primary responsibility for regulatory intervention and exercise of resolution powers in relation to banks that are failing or likely to fail. The BoE also operates a Financial Policy Committee, which is the United Kingdom's macro-prudential regulator responsible for the regulation of the broader UK financial system from a macroeconomic perspective. The Financial Policy Committee has power to make recommendations to the FCA and PRA in certain cases.

Authorisation

Section 19 of FSMA prohibits persons from carrying on regulated activities by way of business in the United Kingdom, unless duly authorised or exempt. The relevant regulated activities are specified in the RAO.

The UK regime regulates 'accepting deposits' as the core regulated banking activity. Accepting deposits is a regulated activity if money received by way of deposit is lent to others or any other activity of the person accepting the deposit is financed out of the capital of or interest on money received by way of deposit. Lending is generally not regulated in the United Kingdom, with the exception of various activities relating to home finance and consumer credit activity. A number of activities relating to derivatives, securities or fund units are also regulated activities including dealing, advice, portfolio management and custody, as is insurance distribution.

The United Kingdom operates a universal banking regime, such that (with limited exceptions for ring-fenced banks) banks can obtain authorisation to conduct any financial services except for writing insurance and the management of funds (which are both reserved to specific classes of regulated entity). A firm authorised for the acceptance of deposits is also permitted to provide payment services (including money remittance) and issue e-money.

A bank looking to establish itself in the United Kingdom must obtain authorisation by applying for a part 4A permission under FSMA which will permit it to take deposits and conduct any other regulated activities within the permission. The application is made to the PRA and FCA (the PRA acts as lead regulator), and requires the submission of extensive and detailed information about the institution including the completion of a permissions table that sets out in detail the permissions applied for (per type of activity and customer type).

CAB has already obtained the appropriate authorisation to carry out the following RAO activities in its capacity as a UK bank:

- (a) accepting deposits;
- (b) dealing in investments as principal; and
- (c) agreeing to carry on the above-mentioned regulated activities.

CAB also provides payment services regulated under the Payment Services Regulations ("**PSR**"). As a bank, CAB does not need separate permission to provide payment services, but is subject to the requirements of the PSR in relation to its payment services business.

Authorised banks must pay an annual fee to either the FCA or the PRA, the cost of which varies based on what type of bank the applicant is looking to set up, and the revenue the bank generates. Licences granted to banking institutions are theoretically indefinite, albeit with the caveat that the PRA has the power to suspend the licence at any point where the bank fails to comply with the regulatory framework.

Threshold Conditions

Authorised firms must at all times meet certain "threshold conditions" specified by FSMA. Dual-regulated firms, such as CAB, must meet both the PRA and FCA threshold conditions. The FCA threshold conditions are, in summary, that: (i) the firm is capable of being effectively supervised by the FCA; (ii) the firm maintains appropriate non-financial resources; (iii) the firm itself is a fit and proper person, having regard to the FCA's objectives; and (iv) the firm's strategy for doing business is suitable for a person carrying on regulated activities that it carries on or seeks to carry on, having regard to the FCA's operational objectives. The PRA threshold conditions require that (i) a firm is either a body corporate or partnership; (ii) if the firm is incorporated in the United Kingdom, its head office is in the United Kingdom and if it has a registered office, that office is in the United Kingdom; (iii) the business of the firm must be conducted in a prudent manner and to satisfy this it must have appropriate financial and non-financial resources; (iv) the firm itself is a fit and proper person, having regard to the PRA's objectives; and (v) the firm is capable of being

effectively supervised by the PRA.

FCA Handbook, PRA Rulebook and Other Guidance

The detailed rules and guidance made by the FCA and the PRA under the powers given to them under FSMA are contained in various parts of their respective handbooks (the FCA Handbook and the PRA Rulebook). Once authorised, and in addition to continuing to meet the threshold conditions above, firms are obliged to comply with the FCA's Principles and, if a dual-regulated firm, the PRA's Fundamental Rules, which include requirements to: (i) conduct their business with due skill, care and diligence; (ii) treat customers fairly; and (iii) communicate with customers in a manner that is clear, fair and not misleading. The 11 Principles and eight Fundamental Rules are set out in the FCA Handbook and PRA Rulebook respectively. Other modules of the FCA Handbook and PRA Rulebook of particular relevance to CAB are discussed below.

Corporate Governance and Organisational Requirements

Like other UK companies, banks are subject to corporate governance requirements set out in the generally applicable provisions of the Companies Act 2006 and principles of good governance contained in the UK Corporate Governance Code. As a regulated entity, however, a UK bank such as CAB is subject to an additional layer of regulatory requirements, primarily set out in the FCA Handbook and PRA Rulebook.

The PRA Fundamental Rules include requirements that a firm must have effective risk strategies and risk management systems (Fundamental Rule 5), and that a firm must organise and control its affairs responsibly and effectively (Fundamental Rule 6).

These high level requirements are supplemented by the General Organisational Requirements Part of the PRA Rulebook, which implements a number of more detailed organisational requirements derived from the European regulatory framework under the revised Capital Requirements Directive IV ("**CRD IV**") and Markets in Financial Instruments Directive. These include requirements for a robust governance framework, including a clear organisational structure with well defined, transparent and consistent lines of responsibility, as well as effective processes to identify, manage, monitor and report the risks and internal control mechanisms, and for the management body to define, oversee and be accountable for the implementation of governance arrangements that ensure effective and prudent management.

The FCA and PRA Rules are also supplemented by EU Delegated Regulation 2017/565 (as it forms part of EU retained law) as regards organisational requirements and operating conditions, which imposes more detailed requirements around the compliance, risk and internal audit functions, outsourcing (including required terms of material supply contracts) and management of conflicts of interest. Senior management and personnel are required to be not only sufficiently experienced in their field, but also of sufficiently good repute to ensure the prudent and sound management of the bank.

The Senior Managers and Certification Regime

There are additional management and governance requirements for UK banks under the Senior Managers and Certification Regime ("**SMCR**"), which was implemented in 2016. The SMCR aims to reduce harm to consumers and to strengthen market integrity by making individuals more accountable for their conduct and competence. The SMCR consists of the following elements: (i) the Senior Managers Regime ("**SMR**"); (ii) the Certification Regime; and (iii) the Conduct Rules.

The SMR focuses on individuals performing a defined senior management function ("**SMF**"), who must obtain approval from the PRA or the FCA (or both), regardless of whether they are physically based in the United Kingdom or overseas. The FCA and PRA rules set out the SMFs, which include, among others, executive director functions, heads of risk, internal audit, compliance and operations/technology, and certain business unit heads. The scope of the regime also covers certain individual board members including the Chair, the Senior Independent Director, and Chairs of Board committees. Firms must assess whether senior managers are fit and proper to perform their roles both at the outset and on an ongoing basis.

The Certification Regime applies to UK bank employees who could pose a risk of significant harm to the firm or any of its customers by the nature of their role. Certified persons are not pre-approved by the regulators. Instead, banks must certify that these individuals are fit and proper for their roles, both at the start of their employment and at least annually on a rolling basis.

The Conduct Rules set minimum standards of professional behaviour for employees. There are two tiers of Conduct Rules. The first tier applies to all employees who carry out financial services activities, while the additional second tier applies to Senior Managers only. The regulators may investigate and take enforcement action against any employee who is subject to the Conduct Rules.

Remuneration

The managers of UK banks (and other companies in their corporate group) are subject to strict qualitative and, in some cases, quantitative, restrictions on their remuneration. The Remuneration Codes of the PRA and the FCA (the "**Remuneration Codes**") require banks to have in place remuneration policies and practices that do not encourage or reward excessive risk-taking.

The current restrictions placed on banks concerning remuneration relate primarily to the payment of bonuses, including a cap on the level of bonuses in the form of a 1:1 ratio of fixed and variable remuneration (increasing to 1:2 with shareholder approval) in any given year. However, at the time of publication, the PRA and FCA have two live consultations open in relation to the removal of the bonus cap and certain more stringent clawback and malus rules as they apply to smaller firms. The Company's Remuneration Policy to be put to shareholders at the Company's first annual general meeting in 2024 will reflect the outcome of these consultations, as appropriate.

Groups in the United Kingdom must apply the Remuneration Codes to all their regulated and unregulated entities, regardless of their geographic location. Subsidiaries of UK banks in third countries must also apply the Remuneration Codes to all subgroup entities, including those based outside the United Kingdom. The Remuneration Codes also apply to UK branches of third country firms.

Prudential Regime

All UK authorised banks are subject to PRA Fundamental Rule 4, requiring institutions to hold and maintain adequate financial resources. UK banks are additionally subject to detailed risk management, capital and liquidity requirements.

Risk Management

A bank must be able to identify, manage, monitor and report actual or potential risks through adequate risk management policies and procedures and risk assessments. Specific risks that a bank must plan for include (inter alia) credit risk, market risk, liquidity risk and operational risk.

All banks must establish and maintain an independent risk management function implementing their policies and procedures and reporting to or advising senior personnel accordingly. The risk control arrangements should (where appropriate considering the bank's size, nature and complexity) include a chief risk officer ("**CRO**") and a board-level risk committee. The CRO should, among other things, be accountable to the board, be fully independent of business units, have sufficient access and powers to be able to adequately monitor and manage any part of the bank's business that impacts its risk profile. The FCA recognises that in addition to the CRO's primary accountability to the governing body, an executive reporting line will be necessary for operational purposes. Accordingly, to the extent necessary for effective operational management, the CRO should report into a very senior executive level in the firm. In practice, this is expected to be the chief executive, the chief finance officer or to another executive director.

A risk committee should be headed by a non-executive director and comprise non-executive members of the bank's management body who have sufficient knowledge and skill to adequately judge the current and future risk profile of the bank. The risk committee oversees and challenges the bank's risk monitoring and management, and advises the board on risk strategy and oversight.

Capital Adequacy Requirements

UK banks are subject to capital adequacy requirements. The Pillar 1 regime requires that banks maintain a level of regulatory capital that is calculated according to each bank's total risk exposure amount. A firm's total risk exposure amount is the sum of its credit risk, operational risk, market risk and credit valuation adjustment risk.

Regulatory capital comprises:

- (a) CET1 capital (equity, deemed to be the highest form of capital generally comprised of ordinary share capital and reserves);
- (b) Additional Tier 1 ("**AT1**") capital (equity like hybrid instruments, such as preference shares and some subordinated debt instruments); and
- (c) Tier 2 capital (highly subordinated debt and/or instruments with a maturity of at least five years).

Banks are required to maintain Tier 1 capital (CET1 and AT1 instruments combined) of at least 6% of the total risk exposure amount, CET1 capital of at least 4.5% of the total risk exposure amount and a base regulatory capital of at least 8% of the total risk exposure amount (the "**Pillar 1 Capital Ratios**"). Each of the Group and CAB currently satisfies the Pillar 1 Capital Ratios with CET1 capital only.

The Pillar 1 regime is supplemented by additional requirements under so-called Pillar 2, which is a requirement

for the bank to assess its own capital needs (including those derived from risks not covered by Pillar 1) under the Internal Capital Adequacy Assessment Process ("**ICAAP**") (the output of the risk management requirements referred to above), and certain buffer requirements. Pillar 2A captures those risks against which banks must hold capital that are not addressed under the Pillar 1 regime. In addition to the P2A regime is the combined buffer, formed of a capital conservation buffer of 2.5% of the total risk exposure amount, a countercyclical buffer of 1% for relevant exposures, a buffer for global and other systemically important institutions, and a systemic risk buffer for banks subject to UK ring-fencing requirements. Pillar 2B, or the PRA buffer, takes into account a UK bank's ability to withstand severe stress, alongside perceived deficiencies in its risk management and governance framework, as well as any other information deemed relevant by the PRA.

The PRA also expects UK banks to ordinarily meet a minimum leverage ratio. While the leverage ratio is not a strict regulatory requirement for CAB, the PRA expects banks of CAB's size to actively monitor this metric and it is a part of the Group's risk management framework. Enhanced leverage requirements apply to UK banks under the PRA Rulebook in certain circumstances, although these are not currently applicable to the Group.

Liquidity Requirements

All UK banks are subject to liquidity requirements implementing the liquidity coverage ratio, including the quantitative requirements set under Article 42 of UK CRR. It is designed to ensure that banks hold a buffer of unencumbered, high-quality, liquid assets in order to meet liquidity needs under a 30-day stress scenario. A further net stable funding ratio has also recently come into force which is intended to regulate the stability of the funding profile of a UK bank.

Associated requirements also compel UK banks to provide liquidity data regularly to the PRA, including daily liquidity reports, weekly mismatch reports, weekly pricing data, monthly marketable assets reports, monthly funding concentration reports, quarterly retail funding reports, and quarterly systems and controls questionnaires. The PRA can waive the application of the requirements on a solo basis, but is unlikely to do so other than in relation to sub-groups of institutions authorised in the United Kingdom.

Similar to the capital regime, the liquidity regime includes Pillar 2 requirements for an Individual Liquidity Adequacy Assessment Process under which a UK bank assesses its own liquidity risks and needs.

All the above requirements are supported by extensive periodic and ad hoc reporting obligations to the PRA. There also exist public disclosure obligations, referred to as Pillar 3, under which the bank is required to give public disclosure about various aspects of its risk management framework and approach to capital and liquidity.

Prudential Consolidation

Consolidated prudential requirements under UK CRR apply in respect of groups or subgroups headed by (inter alia) UK "financial holding companies" ("**UK FHCs**"). A "financial holding company" is a company whose subsidiaries include a trigger entity that is subject to the CRD IV regime (for example, a credit institution), and whose subsidiaries mainly fall within a financial sector. The Group (as presently constituted, comprising among others, CAB) attracts consolidated prudential requirements in this way, with the Company as the relevant UK FHC.

This has the effect of applying capital requirements at the level of the Company – requiring the Company to be adequately capitalised to meet the risk-weighted assets requirement for the Group. The Company presently meets the Pillar 1 Capital Ratios applicable to it with CET1 only.

Furthermore, a number of other prudential requirements including but not limited to those set out above and below (i.e., Corporate Governance and Organisational Requirements, Remuneration, Risk Management / Liquidity Requirements, Recovery and Resolution, and Operational Resilience) above also all apply to the Company on a consolidated basis.

Recovery and Resolution Framework

Banks are subject to recovery and resolution planning requirements. The Banking Act 2009, as amended (the "**Banking Act**") and the PRA and FCA rules on recovery and resolution have been substantially amended in order to implement the EU Bank Recovery and Resolution Directive 2014/59 ("**EU BRRD**"), and the EU Directive 2019/879. There have also been amendments to the FSMA to give effect to enhanced powers for the PRA and FCA (including over parent undertakings and groups of banks and investment firms) and to UK insolvency legislation to implement, among others, the creditor hierarchy specified in the EU BRRD, which gives precedence to retail (individual and SME) depositors.

Recovery Plan and Resolution Pack

PRA rules require UK banks to produce and maintain recovery plans and resolution packs. The requirements are

intended to enable banks and the PRA to plan effectively for potential recovery and resolution scenarios and to ensure ready access for the authorities to all relevant information regarding the business of a bank and its group.

A recovery plan is a document, or set of documents, setting out the arrangements that a bank has in place to allow it to take early action to restore its long-term viability if there were a material deterioration of its financial situation, thereby minimising the risk of failure. A resolution pack is a document containing information and analysis about a bank (or a group) that will assist the BoE, as the UK resolution authority, in drawing up a resolution plan for that firm or group. They are designed to ensure that the business of a failing bank, including its critical functions, may be resolved without endangering financial stability of the broader market or requiring government intervention in the form of taxpayer money being used for a bailout. As per PRA supervisory statement 19/13, phase 1 reporting of the resolution pack has been paused for all firms unless otherwise noted.

Special Resolution Regime

Pursuant to the Banking Act, the United Kingdom has established a resolution framework, the Special Resolution Regime ("**SRR**"), to provide a mechanism for resolving banks (including investment banks), and other systemically important firms. It is intended to be deployed in situations where failure is imminent, and the other powers of the relevant UK authorities to address the situation are insufficient. The SRR gives the BoE, as the UK resolution authority, powers to resolve a failing bank. It consists of five stabilisation options:

- (i) transfer to a private sector purchaser;
- (ii) transfer to a bridge entity;
- (iii) an asset management vehicle tool;
- (iv) a bail-in tool; and
- (v) transfer to temporary public sector ownership.

The BoE has discretion to select the appropriate resolution tool to apply to resolve the bank. The SRR tools may only be deployed where a bank is failing or likely to fail, where it is not reasonably likely that action will be taken that would result in the bank recovering, and where the exercise of resolution powers is in the public interest. On entry into resolution, the SRR requires the BoE to write down equity and write down or convert other capital instruments into common equity. The BoE can also exercise such write down powers on a standalone basis, outside of resolution.

The Banking Act contains a separate power, often referred to as the "write-down and conversion tool", enabling the BoE, independently of, or in conjunction with, the use of resolution tools, to write down equity and write down or convert other capital instruments into common equity, if the BoE consider that the institution or the group is at the "point of non-viability" and certain other conditions are met. The write-down and conversion tool must be applied before any of the stabilisation options provided for in the SRR may be used in practice and may be used whether or not the institution subsequently enters into resolution.

The SRR may be triggered prior to CAB's insolvency. The purpose of the write-down and conversion tool and the stabilisation options are to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Given the structure of the Group, there is no debt that could be written down and converted into equity as part of a bail-in tool. In light of the size and structure of the Group, the Directors believe that there is a high likelihood that the BoE would elect to wind down the Group through the bank insolvency procedure. As a result, in the event of such action, investors in the Company may experience a significant reduction in the value of their Ordinary Shares and could experience a total loss of their investment.

AML and Financial Crime

In a United Kingdom banking context, financial crime is defined widely and includes fraud, money laundering, and bribery and corruption. A wide range of financial crime requirements apply to regulated firms, many of which apply to UK banks such as CAB. The FCA is responsible for the oversight of dual-regulated firms' compliance with financial crime requirements. The FCA's own financial crime requirements for banks work in tandem with other parts of the regime, such as the Proceeds of Crime Act 2002, the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) ("**MLRs 2017**"), the UKBA and financial sanctions regulations.

At a high level, UK banks are required to have robust systems and controls in place to minimise the extent to which they, and their customers, can be used for any purpose connected with financial crime. They are expected to identify the financial crime risks to which they are exposed (by virtue of, for example, their customers and the jurisdictions in which business is carried on) and take steps to mitigate those risks. UK banks need to be able to demonstrate to the regulators, law enforcement and the courts, that the systems and controls they have in place are reasonable in the

light of the nature, scale and complexity of their business.

The FCA requires that firms give overall responsibility for the anti-money laundering operations of a firm to a director or senior manager, who is responsible for being aware of the money laundering risks and taking steps to effectively mitigate them. A Money Laundering Reporting Officer must also be appointed as the keystone of the firm's anti-money laundering procedures.

In January 2020, the UK government enacted the Money Laundering and Terrorist Financing (Amendment) Regulations 2019, which was the legislative instrument designed to implement the European Union's Fifth Anti-Money Laundering Directive. The United Kingdom has opted to exceed the requirements set out under the EU legislation, with the updated regulations extending the scope of the persons subject to the MLRs 2017 and customer due diligence requirements as well as creating bank account portals that can be accessed by financial intelligence units and national regulators.

Depositor Protection

The Financial Services Compensation Scheme ("**FSCS**") operates under FSMA to provide compensation to certain eligible depositors in the event of a bank's failure. The FSCS compensates claimants for "protected claims" against UK authorised firms (such as CAB) where those firms are unable or unlikely to be able to meet the claims (typically in cases of insolvency or where they have otherwise gone out of business).

The FSCS covers a range of businesses, including banking, insurance, insurance intermediation and investment business. Eligibility depends on the application of the rules set out in the FCA Handbook. The FSCS is primarily funded by levies on authorised participating firms and the levels of contribution to the FSCS may change over time.

Payment Services Regulations

Under the PSR, the FCA is responsible for regulating payment services in the United Kingdom. The PSR establish an authorisation regime, requiring payment service providers to either be authorised or registered with the FCA. The PSR also contain certain rules about providing payment services that payment services providers (including CAB) must comply with, including in relation to consent for payment transactions, unauthorised or incorrectly executed transactions, liability for unauthorised payment transactions, refunds, execution of payment transactions, execution time, information to be provided to payment service users and liability of payment services providers if things go wrong. Many of these provisions, however, can be disapplied in relation to corporate customers, for example where a payment service user is not a consumer, micro-enterprise or charity.

Enforcement

The FCA and the PRA have the power to take a range of enforcement actions, including the ability to sanction firms and individuals carrying out functions within them. The sanctions may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities or of an individual's approval to perform particular roles within a firm. They can also vary or revoke the permissions of an authorised firm that has not engaged in regulated activities for 12 months, or that fails to meet the threshold conditions.

General Data Protection Regulation

The Group is subject to a number of laws and regulations relating to privacy and data protection, including the General Data Protection Regulation (EU) 2016/679 ("**EU GDPR**"), the retained EU law version of the EU GDPR as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of the European Union (Withdrawal) Act 2018 ("**UK GDPR**"), and the Data Protection Act 2018.

Where a member of the Group determines how and why personal data is processed, it is subject to the requirements and obligations set out in UK GDPR and EU GDPR as a controller. UK GDPR and EU GDPR also impose obligations on entities that process data on behalf of controllers ("**processors**"). The Group may be or become subject to UK GDPR and EU GDPR both as a controller and as a processor, in differing circumstances.

The Group needs to comply with and demonstrate its compliance with the data protection principles under UK GDPR and EU GDPR (as applicable). The principles include, among others, obligations to process data lawfully, fairly and transparently, to collect data for specified, explicit and legitimate purposes, to collect the least amount of data required to fulfil the relevant purpose, to keep data accurate and up to date, to keep data in a form that permits the identification of data subjects for no longer than necessary, to process data in a secure manner, and to have appropriate technical and organisational measures to be able to demonstrate compliance with the other principles. Where not exempted, the Group would also need to comply with other requirements of UK GDPR and EU GDPR, which include, among other things, rules on how consent is provided by data subjects for the processing their data, providing information notices to data subjects about how their data is processed, and complying with Data Protection Impact Assessments.

To transfer data outside of the EEA or United Kingdom to a non-adequate country, EU GDPR and UK GDPR (as applicable) requires the relevant Group company that is exporting the data to enter into an appropriate transfer mechanism with the relevant data importer. More generally, the situation in relation to international data transfers from the EEA and United Kingdom continues to evolve. Notable recent developments include:

- In June 2021, the European Data Protection Board published guidance on international transfers of personal data, and the European Commission published new Standard Contractual Clauses ("**SCCs**") which came into effect on 27 June 2021. Any organisations using SCCs for data transfers from the EEA, including the Group (to the extent it relies on such SCCs), must use the new SCCs in any new agreements concluded from 27 September 2021. The grace period for organisations to remediate existing contracts by implementing the new SCCs expired in December 2022.
- In March 2022, new international data transfer agreements ("**UK IDTAs**") (published by the Information Commissioners Office ("**ICO**")) to be used for transferring personal data from the United Kingdom to non-adequate countries came into force. Until this time, the old EU SCCs (which the United Kingdom had retained following Brexit) were being used to legitimise data transfers from the United Kingdom. Any organisations transferring personal data outside of the United Kingdom must use the UK IDTAs in any new agreements concluded from 21 September 2022. Agreements entered into before 21 September 2022 can continue to rely on the old EU SCCs, but these must be transitioned to the new UK IDTAs by 21 March 2024 (unless the processing of personal data has changed prior to 21 March 2024, in which case the agreement should be updated upon the change in processing). This ICO has also announced that it will publish guidance on the UK IDTAs in due course.
- In July 2021, the UK Government introduced the Data Protection and Digital Information Bill (the "**Bill**") to the UK Parliament. The Bill, amongst other things, aims to amend certain accountability obligations under UK GDPR, and introduce a risk based approach to international transfers of personal data. The Bill's passage through Parliament has currently been paused so it can be further considered by the UK Government. Additionally, in October 2022, the Secretary of State for the UK Government department responsible for the Bill announced plans to replace the UK GDPR with a bespoke UK data protection regime that is more business friendly. It is unclear what impact this announcement will have on the Bill, and whether it will lead to significant further changes to the United Kingdom's current data protection regime.

Regulators can impose significant monetary fines for violations of laws and regulations relating to privacy and data protection. For example, non-compliance with certain obligations under the EU GDPR and UK GDPR may result in monetary penalties of up to, the greater of, 4% of the Group's worldwide turnover in the preceding financial year, or €20 million (under EU GDPR) or £17.5 million (under UK GDPR) as applicable.

The Financial Ombudsman Service

UK banks and other regulated firms are required to maintain complaints handling procedures in accordance with applicable law and regulation (in particular, the rules set out in the FCA Handbook). However, eligible complainants may be able to make a complaint to the Financial Ombudsman Service ("**FOS**") if they are not satisfied, having exhausted a firm's complaints handling procedures.

The FOS is a free service designed to help settle complaints against financial services businesses. It is intended to be a fast, informal and cost effective dispute resolution service, and determines complaints "by reference to what is, in [its] opinion, fair and reasonable in all the circumstances of the case".

Where the FOS finds against a firm, it has a range of powers, including to award compensation or to make a direction requiring the firm to take such steps as the FOS considers just and appropriate. Eligibility to refer complaints to the FOS depends on the application of the rules set out in the FCA Handbook.

REGULATION IN THE NETHERLANDS AND THE EEA

The Group is currently able to provide certain services to customers in the EEA on a reverse solicitation basis. The Group has a number of existing EU customers with whom its relationships pre-date Brexit. Since Britain left the European Union, the Group's UK licence no longer permits solicitation of customers in the EEA. To enable the Group to actively market its services to EEA-based customers, the Group applied for a payment institution licence in the Netherlands on 25 November 2022, which is currently under consideration by the De Nederlandsche Bank ("**DNB**"), the lead prudential bank regulator in the Netherlands. A decision is expected in 2023. The licence application underway with the DNB will, if approved, provide the Group with approval as a regulated payments institution in the Netherlands. If granted, this payment institution licence will allow the Group to solicit new EEA-based customers and is expected to allow the Group to expand its customer base for spot FX and payment services more broadly in the region. See also "*Risk Factors—Risks Related to Business and Industry—The Group has experienced rapid growth, which may not be sustainable or indicative of future growth, and the Group's growth assumptions could be inaccurate*" and "*Risk Factors—Risks Related to Business and Industry—The Group may face challenges in*

expanding its products and services in its existing markets or into new geographic regions, which could adversely affect its potential future growth."

An EU-licensed payment institution is a type of regulated entity that can provide certain payment services under the local law implementation of the Payments Services Directive ("**PSD2**"). The PSD2 was published as a consolidating new Directive (2015/2366/EU) in the Official Journal of the European Union on 23 December 2015, and replaced the previous Payments Service Directive ("**PSD1**") on 13 January 2018. The stated primary objectives of PSD2 are to (i) contribute to a more integrated and efficient European payments market, (ii) contribute to an increasingly level playing field (including by encouraging the entry of new players into the market), (iii) make payments safer and more secure, (iv) improve consumer protection, and (v) encourage lower prices for payments. PSD2 also broadened the geographical scope of PSD1, extended provisions on transparency and information requirements to all currencies (not just EU currencies), widened the definition of payment services to include 'payment initiation services' and 'account information services' and amended various exemptions and conduct of business rules.

Under PSD2, depending on the scope of its licence, a licensed payment institution may be permitted to solicit EU-based customers, execute payment transactions, issue payment instruments, acquire payment transactions, participate in money remittance and provide account information and payment initiation services, as well as offer ancillary services such as spot FX and, under certain conditions, credit. PSD2 licensed payment institutions are not generally supposed to take deposits, or hold funds on payment accounts if the purpose is not the provision of payment services. Payment institutions are able to passport their services within the EEA and are not confined to providing payment services in the specific country in which they obtained a licence.

A payment institution must safeguard funds, other than funds in transit, with an EEA-authorized credit institution. In the Netherlands, mostly third party funds foundations (*stichting derdengelden*) are incorporated as special purpose vehicles for that purpose. Such foundations will hold one or more bank accounts for safeguarding purposes. Such accounts may be held with an EEA-authorized credit institution. Dutch law now also caters for the possibility of segregated accounts in the name of the payment institution. Such accounts can only be held with a credit institution seated in the Netherlands. The Group's core products and services would generally only give rise to funds in transit. In the event the Group decides to engage in activities requiring safeguarded funds, it would expect to partner with an authorized credit institution to obtain a safeguarding account.

REGULATION IN THE UNITED STATES

The Group's regulated entity, CAB, does not currently have physical presence in the United States and the Group only has a limited number of employees in the United States. Its activities nonetheless subject it indirectly to limited compliance obligations with respect to certain US regulations as a result of the nature of its operations and its products and services, the most significant of which are those related to the OFAC controls and sanctions.

OFAC Controls & Sanctions

As a result of its correspondent local bank accounts with certain US banks and USD clearing through those banks, CAB has agreed, and is required, to comply with the sanctions laws and regulations administered by OFAC for transactions that are cleared through such banks or involve a significant US nexus. Although the US banks, rather than CAB, are subject to direct regulation by OFAC, violations by CAB of OFAC controls or sanctions could endanger its relationships with its correspondents, other third party providers and customers, with serious legal and reputational consequences for CAB and the rest of the Group for any failures arising in these areas. In order to comply with its OFAC-related undertakings, CAB must ensure that USD transactions on behalf of its customers do not relate to, or involve, directly or indirectly, countries or persons subject to US economic sanctions, or that otherwise would be prohibited if performed by US persons or entities (unless authorised by the appropriate US government agency).

CAB currently has in place policies and procedures for screening OFAC sanctions lists and screens each customer and each transaction to identify potential OFAC matches. See also "*Business Description—Technology and Operations*".

REGULATION IN THE REST OF THE WORLD

The Group also serves customers and provides products and services outside of the United Kingdom, the United States and the European Union. However, currently, the only regulated entity of the Group is CAB, in the United Kingdom, and the Group's regulated activities are also limited to the United Kingdom. With respect to the customers served and products and services provided outside of the United Kingdom, the Group considers applicable law and regulation in the jurisdictions where customers are, where sales originate as well as jurisdictions to which it sends FX or payments. The Group takes into account and avoids activities that would require the Group to be regulated in such other jurisdictions.

Origination Markets

The Group monitors applicable law and regulation in the jurisdictions where its FX and payments customers are located to determine when it can provide services to customers. Different countries prohibit inbound customer solicitation and sales (i.e., transactions for which the customer approaches the Group directly for its services) and/or outbound (i.e., transactions for which the Group conducts direct marketing or outreach to customers) in a variety of ways. The International Sales Policy sets out applicable law and regulation in respect of customers located in more than twenty different countries and specifies that any customer contacts involving customers or potential customers located in countries not within the scope of the policy, must be verified by the Group's legal services before the Group's employees undertake any sales activities. The Group updates the jurisdictions from which it may accept customers from time to time and these are added to the International Sales Policy.

Markets Receiving FX and Payments

The Group also monitors applicable law and regulation in the jurisdictions where its FX or payments transactions are sent. Generally, the Group, through its UK regulated bank, is permitted by local law and regulation to provide correspondent banking services, trade finance services and engage in the provision of liquidity services (including FX and payments) directly with other regulated banks globally. Most of the Group's products and services are sent to a regulated bank, generally one of the Group's local bank accounts in the receiving country that is part of the Group's Local Bank Account Network. This local bank is responsible for the onward destination of the funds sent, including compliance with local law and regulation. The Group also provides FX and payments, which are sent to a limited number of receiving countries, for which the Group does not work via a regulated bank in the local jurisdiction. In these markets, the Group has contractual relationships with other regulated entities (such as payment or mobile wallet providers) that execute the final FX transaction or payment distribution.

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Board of Directors

The principal duties of the Board are to provide the Company's strategic leadership, to determine the fundamental management policies of the Company and to oversee the performance of the Company's business. The Board is the principal decision-making body for all matters that are significant to the Company, whether in terms of their strategic, financial or reputational implications. The Board has final authority to decide on all issues save for those which are specifically reserved to the general meeting of shareholders by law or by the Articles.

The key responsibilities of the Board include:

- determining the Company's strategy, budget and structure;
- approving the fundamental policies of the Company;
- implementing and overseeing appropriate financial reporting procedures, risk management policies and other internal and financial controls;
- proposing the issuance of new ordinary shares and any restructuring of the Company;
- appointing executive management;
- determining the remuneration policies of the Company and ensuring the independence of Directors and that potential conflicts of interest are managed; and
- calling shareholder meetings and ensuring appropriate communication with shareholders.

Members of the Board are appointed by the shareholders for three-year terms, subject to annual re-election in accordance with the Governance Code. Board members may serve any number of consecutive terms.

The Board consists of the ten members listed below.

Name	Age	Nationality	Position	Date of Appointment to Board
Ann Cairns	66	British	Chair	23 February 2023
Bhairav Trivedi	60	American	Chief Executive Officer	1 March 2021
Richard Hallett	57	British	Chief Financial Officer	3 September 2019
Nöel Harwerth	75	American and British	Senior Independent Director	23 February 2023
Simon Poole	56	British	Non-Executive Director	19 April 2016
Jennifer Johnson-Calari	66	American	Independent Non-Executive Director	26 April 2023
Karen Jordan	66	British	Independent Non-Executive Director	26 April 2023
Susanne Chishti	51	Austrian	Independent Non-Executive Director	26 April 2023
Caroline Brown	60	British and Irish	Independent Non-Executive Director	26 April 2023
Mario Shiliashki	49	American and Bulgarian	Independent Non-Executive Director	26 April 2023

The business address of each of the members of the Board is Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS, United Kingdom.

The management expertise and experience of each of the Directors is set out below:

Ann Cairns (Chair)

Ann is on the board of Lightrock, a global private equity platform investing in sustainable businesses. She is Chair of the TMF Group, a global provider of compliance and administrative services, and Chair of the Financial Alliance for women, a global peer-to-peer network whose members work in more than 135 countries to build programmes that support women with access to capital, information, education and markets. She is also a member of the UK Government's Artificial Intelligence Council. Ann has previously held board positions with ICE, AstraZeneca and Charity Bank and was the lead non-executive for BEIS, the UK Government's department for Business, Energy and Industrial Strategy.

Until December 2022, Ann served as the executive Vice Chair of Mastercard, having previously been President of International Markets for the company, responsible for the management of all customer-related activities in over 200 countries around the world. During her time at Mastercard, Ann's role focused on building sustainable, strong growth rates across both mature and emerging markets and she led the company's expansion into new territories. Before joining Mastercard, Ann led the Financial Services Group with Alvarez & Marsal in London and during that time was

the CEO of Lehman Holdings in Europe during their Chapter 11 process.

Ann spent over 20 years in banking, predominately in the payments and FX businesses. She was the CEO of Transaction Banking at ABN-AMRO, following 15 years in senior operational positions at Citigroup. She ran the payments infrastructure of Citi across 103 countries with circa 6000 staff and she launched the first-ever electronic currency trading platform for Citi during her time at the investment bank.

Ann has a First Class Pure Mathematics degree and honorary doctorate from Sheffield University and a M.Sc. with research into medical statistics and honorary doctorate from Newcastle University. She is also a fellow of London Business School.

Bhairav Trivedi (Chief Executive Officer and Director)

Bhairav has over 35 years of experience in the financial services industry, with a strong focus on payments and payment processing, cross-border remittance, and financial technology. He has held senior roles at leading financial institutions around the globe, including Group CEO of Finablr PLC and before that, Group CEO of Network International Holdings PLC; President and Chief Operating Officer of Sigue Global Services, and Managing Director, Global Head of Remittance Services at Citi's Global Transaction Services from 2008 to 2010. He also founded PayQuik (an online remittance infrastructure provider later acquired by Citi) and has worked at McKinsey & Co., Fair Isaac and Providian Bancorp.

Bhairav holds an MBA from the Wharton School of the University of Pennsylvania, a Masters degree in Engineering Economic Systems from Stanford University, and an undergraduate degree in Mechanical Engineering from Birla Institute of Technology.

Richard Hallett (Chief Financial Officer and Director)

Richard's career spans more than 30 years in top tier financial services organisations with an extensive track record across the investment banking, commercial and retail banking sectors both regionally and globally. Richard was formerly CFO of Barclays Africa and CFO of Absa Capital. Previous roles also include senior positions at RBS, Morgan Stanley and Credit Suisse First Boston.

Richard started his career at Price Waterhouse as a qualified accountant and holds a BSc (Hons) in Chemistry from the University of East Anglia.

Nöel Harwerth (Senior Independent Director)

Nöel Harwerth is Chair of the UK Export Finance agency and serves on the Board of the UK Department of International Trade. She also serves on the boards of One Savings Bank and Scotia Bank Europe. Prior roles include the Boards of Standard Life, the London Metals Exchange and the Bank of England RTGS/CHAPS Board. She has served on the Boards of three mining companies: Dominion Diamond; Avocet; and Sirius Minerals. She was Chair of GE Capital Bank Europe until April 2017, and served as Chair of Sumitomo Mitsui Bank (Europe, Middle East and Africa) from 2004 to June 2015.

Nöel was appointed by the UK Government as Partnership Director of the London Underground and served in that role from 2003-2008, having previously served on the Board of Transport for London, where she chaired the Audit Committee. In 2006 she was appointed by the UK Government to the Board of the Tote and served as its audit chair until its privatisation.

From 1998 to 2004, Nöel was Chief Operating Officer of Citibank International PLC in London. Prior to joining Citicorp in 1988, she held senior positions in Dun and Bradstreet and Kennecott Copper Corporation where she worked on large complex international mining transactions. Nöel was educated at the University of Texas in Austin and holds a Juris Doctor Degree from the University of Texas Law School.

Simon Poole (Non-Executive Director)

Simon brings to the Board finance and administration experience across a range of businesses in numerous African countries. He has worked as an Operating Partner for Helios Investment Partners since 2011 and in this role he has served on boards of directors of Helios Towers Africa, Vivo Energy, Interswitch and Fawry. Earlier in his career he was CFO of Intel Global Ltd and Celtel International (in Burkina Faso, Chad and DRC). He started his career in London with finance and accounting roles with Price Waterhouse, Bank of America and BT.

He qualified as a Chartered Accountant with Price Waterhouse and is a member of the Institute of Chartered Accountants in England and Wales.

Jennifer Johnson-Calari (Independent Non-Executive Director)

Jennifer brings over 37 years of financial services experience. She is one of the principal architects and a former Director of The World Bank's Reserves Advisory and Management Program (RAMP).

Having started her career at the Federal Reserve Board, Jennifer then moved to the US Comptroller of the Currency (OCC), where she specialised in market risk management and participated in the Basel Committee of Bank Supervision. In 1990, she became Portfolio Manager at the International Bank for Reconstruction & Development, the first of five member institutions that make up The World Bank Group.

She later became Director of Sovereign Investment Partnerships at The World Bank, during which time RAMP became the world's leading provider of consulting and capacity-building services to public sector asset managers. During her tenure, Jennifer worked with over 50 official sector asset managers in emerging economies – including central banks, sovereign wealth funds and national pension funds – to strengthen governance and build investment management capacity.

Drawing on her extensive experience Jennifer has co-authored and contributed to several books, journals and whitepapers relating to commodity fund revenue, central bank reserves management and policy issues.

Karen Jordan (Independent Non-Executive Director)

After more than 20 years advising some of the world's most successful financial services companies on regulatory matters, Karen now holds a small number of roles as an Independent Non-Executive Director. These roles include financial services companies and the whistleblower protection charity, Protect.

Specialising in banking and asset management, Karen's executive roles included stints at PwC, Barclays and State Street. She has advised on global and cross-border regulatory and law enforcement matters involving a range of complex governance, regulatory and reputational challenges. She also took the lead role in ensuring that projects to provide redress to customers due to mis-selling or wrongdoing were well-managed and produced fair outcomes for those customers.

Karen has an auditing background and qualified as a Chartered Certified Accountant in 1992.

Susanne Chishti (Independent Non-Executive Director)

Susanne has over 25 years of industry expertise including at board-level, with a strong focus on organisational governance and the small and medium enterprise (SME) market. Her experience draws on 15 years in finance, having held senior positions at Deutsche Bank, Lloyds Banking Group, Morgan Stanley and Accenture.

She is an Independent Non-Executive Director at CMC Markets PLC, a FTSE 250 company where she is also a member of the Risk, Audit, Nomination and Remuneration Committees and the CEO of FINTECH Circle, Europe's first Angel Network focused on fintech innovation.

A bestselling author, Susanne co-edited "The FINTECH Book" series, which has been translated into 10 languages and sold across 107 countries, in addition to six further fintech books published by Wiley. Her wealth of experience led her to being recognised among the "Top 10 global Fintech influencers in 2022" (Evening Standard), the Fintech Champion of the Year in 2019 (Women in Finance Awards) and in the European Digital Financial Services "Power 50" 2015, an independent ranking of the most influential people in digital financial services in Europe. Susanne holds an MBA from Vienna University of Economics and Business.

Caroline Brown (Independent Non-Executive Director)

Dr Brown brings a wealth of experience to the Group as an Independent Non-Executive Director and commercially focused business leader with over 20 years of main board experience driving strategic growth and leading high performing teams in the financial services and technology sectors.

Caroline has delivered business strategy across EMEA, the Americas, former-CIS, India and the Far East in commercial leadership roles for FTSE100 groups, mid-cap companies, and innovative small and medium sized enterprises. Her early career was in corporate finance with BAML (New York), UBS and HSBC advising global corporations and governments. She currently chairs the audit and risk committee of a FTSE 250 listed business, IP Group plc and formerly chaired the audit and risk committee of W.A.G Payment Solutions plc, a financial solutions business, and the audit, risk and compliance committee of Earthport plc, a regulated payment institution, prior to its acquisition by VISA International.

Caroline holds a BA (first) and PhD from the University of Cambridge, is a Fellow of the Chartered Institute of Management Accounting and holds an MBA from the University of London.

Mario Shiliashki (Independent Non-Executive Director)

Mario brings over 20 years of experience in payments and fintech from across the world. He is currently the CEO of PayU Global Payments – a leading global online payments player in high-growth emerging markets across Latin America, Africa, Europe and Asia.

Prior to PayU, Mario was on the founding team of PayPal Europe and he went on to lead PayPal's expansion into Asia, building the business across Southeast Asia, India, Japan and Korea from the ground up. After PayPal, Mario led Mastercard's global eCommerce and cross-border initiatives, before launching and commercialising Mastercard's first open API developer platform. Earlier in his career, Mario was a Consultant at Bain & Company in London and an Equities Analyst at Goldman Sachs in New York.

Mario is a regular speaker at fintech conferences and contributor to a number of industry publications. He holds an MBA from Harvard Business School and an International Directors Programme diploma from INSEAD.

Senior Management

The day-to-day management of the Company's operations is conducted by its senior management team, consisting of Bhairav Trivedi, Richard Hallett and Chris Green ("**Senior Management**"), who are considered relevant to establishing that the Company has the appropriate experience and expertise for the management of its business.

Name	Age	Nationality	Position
Bhairav Trivedi	59	American	Chief Executive Officer
Richard Hallett	57	British	Chief Financial Officer
Chris Green	51	British and French	Chief Risk Officer and Head of Compliance

The business address of each of the members of Senior Management is Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS, United Kingdom.

For detail of the management expertise and experience of Bhairav Trivedi and Richard Hallett refer to "*Board of Directors*" above.

Chris Green (Chief Risk Officer and Head of Compliance)

Chris has over 25 years of corporate financial services experience mainly in senior risk leadership roles. He joined Crown Agents Bank from Royal Bank of Scotland where his roles included Head of Portfolio Management for Commercial Banking, Head of Commercial Credit, and Head of Risk for Business and Commercial Banking. Prior to that, he worked for GE Capital where he held Chief Risk Officer roles for several of its businesses both in France and EMEA.

He is a graduate of Cardiff University, where he gained a BEng (hons) in Manufacturing Systems & Management.

Corporate Governance

The Board is firmly committed to the high standards of corporate governance. In the event of any Admission, the Company will comply with the provisions of the UK Corporate Governance Code issued in July 2018 by the Financial Reporting Council, as amended from time to time (the "**Governance Code**"). Thereafter the Company intends to continue to comply with the relevant principles and provisions of the Governance Code on an ongoing basis.

As envisaged by the Governance Code, the Board will establish an audit committee, a nomination committee and a remuneration committee in the event of any Admission. The Board will also set up a risk committee and a disclosure committee. If the need should arise, the Board may set up additional committees as appropriate.

The Governance Code recommends that at least half the board of directors of a UK-listed company, excluding the chairperson, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement ("**Independent Non-Executive Directors**"). As at the date of this document, the Board consists of the chair (the "**Chair**"), six Independent Non-Executive Directors, two executive Directors (the "**Executive Directors**") and one non-executive Director nominated by the Principal Shareholder who is not considered independent (the "**Non-Executive Director**"). The Company regards all of the Independent Non-Executive Directors as "independent", in each case within the meaning of the Governance Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The Governance Code also recommends that the chairperson, on appointment, should meet such independence conditions.

The Governance Code recommends that the Board should appoint one of its Independent Non-Executive Directors to

be the senior independent director ("**SID**") to provide a sounding board for the Chair and to serve as an intermediary for the other Directors when necessary. The SID should be available to Shareholders if they have concerns that the normal channels of Chair or the Executive Directors have failed to resolve, or for which such channel of communication is inappropriate. The Company's SID is Noël Harwerth.

The Governance Code further recommends that directors should be subject to annual re-election. The Company intends to comply with this recommendation.

Audit Committee

In the event of any Admission, the Audit Committee will assist the Company's Board in discharging its responsibilities with regard to financial reporting and external audits.

Its role will include reviewing and monitoring the integrity of the Company's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the Company's relationship with external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the internal control review function. The ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board.

The Disclosure Guidance and Transparency Rules require that a majority of members of the audit committee be independent and that at least one member has competence in accounting and/or auditing. In addition, the Governance Code recommends that the audit committee should comprise at least three Independent Non-Executive Directors, that at least one member has recent and relevant financial experience and that the committee as a whole has competence relevant to the sector in which the Company operates. The Board considers that, in the event of any Admission, the Company will comply with the requirements of the Disclosure Guidance and Transparency Rules and the recommendations of the Governance Code in those respects.

In the event of any Admission, the members of the Audit Committee will be Noël Harwerth, Jennifer Johnson-Calari, Karen Jordan and Caroline Brown. Karen Jordan will be the Chair of the Committee, and Karen Jordan and Caroline Brown have recent and relevant financial experience and competence in accounting and/or auditing. The Audit Committee will be required to meet at least four times a year.

In the event of any Admission, the Audit Committee will take appropriate steps to ensure that the Company's auditors are independent of the Company and will obtain written confirmation from the Company's auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

Nomination Committee

In the event of any Admission, the Nomination Committee will assist the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It will be responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board and, in particular, for monitoring the independent status of the Independent Non-Executive Directors. It will also be responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise.

In the event of any Admission, the members of the Nomination Committee will be Ann Cairns, Noël Harwerth and Caroline Brown. Ann Cairns will be the Chair of the Nomination Committee. The Nomination Committee will be required to meet at least two times a year. The Governance Code recommends that a majority of the nomination committee should comprise Independent Non-Executive Directors. The Board considers that, in the event of any Admission, the Company will comply with the recommendations of the Governance Code in this respect.

The terms of reference of the Nomination Committee will cover such issues as membership and the frequency of meetings, as mentioned above, together with requirements for the quorum for and the right to attend meetings, reporting responsibilities and the authority of the Nomination Committee to carry out its duties.

Remuneration Committee

In the event of any Admission, the Remuneration Committee will assist the Board in determining its responsibilities in relation to remuneration and workforce engagement, including making recommendations to the Board on the Company's policy on executive remuneration, setting the over-arching principles, parameters and governance framework of the Company's remuneration policy and determining the individual remuneration and benefits package of each of the Company's Executive Directors, Senior Management and, if the role is occupied by an individual, the Company Secretary.

In the event of any Admission, the members of the Remuneration Committee will be Noël Harwerth, Mario Shiliashki and Caroline Brown. Noël Harwerth will be the Chair of the Remuneration Committee. The Governance Code recommends that the Remuneration Committee should comprise at least three members who are Independent Non-

Executive Directors, one of whom may be the Chair (but who may not chair the Remuneration Committee), and that before appointment as chair of the Remuneration Committee, the appointee should have served on a remuneration committee for at least 12 months. The Board considers that, in the event of any Admission, the Group will comply with the recommendations of the Governance Code in this respect. The Remuneration Committee will be required to meet at least three times a year.

The terms of reference of the Remuneration Committee will cover such issues as membership and the frequency of meetings, as mentioned above, together with requirements for the quorum for and the right to attend meetings, reporting responsibilities and the authority of the Remuneration Committee to carry out its duties.

Risk Committee

In the event of any Admission, the Risk Committee will assist the Board in discharging its responsibilities with regard to managing the Company's risk framework (including recommendations on financial, operational and reputational risk), internal controls and risk reporting. Its role will include assisting the Board with risk appetite, tolerance and strategy, and the monitoring of internal controls and risk systems.

In the event of any Admission, the members of the Risk Committee will be Noël Harwerth, Jennifer Johnson-Calari, Karen Jordan and Caroline Brown. Jennifer Johnson-Calari will be the Chair of the Risk Committee. The Risk Committee is required to meet at least four times a year. The terms of reference of the Risk Committee will cover such issues as membership and the frequency of meetings, as mentioned above, together with requirements for the quorum for and the right to attend meetings, reporting responsibilities and the authority of the Risk Committee to carry out its duties.

Disclosure Committee

In the event of any Admission, the Disclosure Committee will assist the Board in facilitating timely and accurate disclosure of information that is required to be disclosed in accordance with the Company's legal and regulatory obligations as a company with securities admitted to the Official List and to trading on the London Stock Exchange, including the Listing Rules, the Disclosure Guidance and Transparency Rules and the UK Market Abuse Regulation.

In the event of any Admission, the members of the Disclosure Committee will be Ann Cairns, Noël Harwerth, Karen Jordan, Bhairav Trivedi and Richard Hallett. Ann Cairns will be the Chair of the Disclosure Committee. In the event of any Admission, the Disclosure Committee will meet at such times as shall be necessary or appropriate, as determined by the Chair of the Disclosure Committee or, in their absence, by any other member of the Disclosure Committee.

Share Dealing Code

The Company will adopt, with effect from Admission, a code of securities dealing in relation to the Ordinary Shares and a policy with respect to the entry into transactions with persons related to the Company which is based on the rules of the UK Market Abuse Regulation. The code will apply to the Directors and other relevant employees of the Group. The policy will be based on the mandatory provisions of the UK Market Abuse Regulation and of the Listing Rules which will apply to the Company and persons related to the Company in the event of any Admission.

SELECTED FINANCIAL INFORMATION AND OPERATING DATA OF THE GROUP

The selected consolidated financial information in this section has been extracted, or recalculated based on information derived, from the Historical Financial Information, in each case without material adjustment, unless otherwise stated, as well as from internal data concerning the Group contained in the Company's management financial reports. The Historical Financial Information has been prepared in accordance with the basis set out in "Presentation of Financial and Other Information". This section also includes non-IFRS financial measures and operating data and key performance indicators; see "Presentation of Financial and Other Information--Non-IFRS Information and Operating Data" for more information about their basis of preparation.

Financial information

Consolidated income statement

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000 (Unaudited)	
Continuing Operations					
Interest Income					
<i>Interest income calculated using the EIR</i>	6,936	2,706	17,108	1,384	11,357
<i>Other interest and similar income</i>	6	2	63	4	90
Interest expense	(5,180)	(1,410)	(10,398)	(290)	(6,033)
Net interest income	1,762	1,298	6,773	1,098	5,414
Net gain on financial assets mandatorily held at fair value through comprehensive income	2,064	888	1,009	(100)	568
Gains on money market funds	335	3	3,584	33	1,907
Fees and commission income	10,955	11,825	15,797	3,399	3,517
Net foreign exchange gain	18,777	39,135	82,756	12,414	29,854
Revenue, net of interest expense	33,893	53,149	109,919	16,844	41,260
Other operating income/ (loss)	374	347	(484)	-	-
Total income, net of interest expense	34,267	53,496	109,435	16,844	41,260
Operating expenses					
<i>Recurring</i>	(36,505)	(44,134)	(60,270)	(12,368)	(16,342)
<i>Non-recurring</i>	-	-	(5,332)	-	(6,219)
Impairment (loss)/ reversal on financial asset at amortised cost	(167)	150	(342)	(85)	(46)
(Loss)/ profit before taxation	(2,405)	9,512	43,491	4,391	18,653
Tax charge	(387)	(1,899)	(10,456)	(951)	(4,514)
(Loss)/ profit for the period from continuing operations	(2,792)	7,613	33,035	3,440	14,139

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
Other comprehensive income for the year:					
		£ '000		£ '000	(Unaudited)
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange gains/ (losses) on translation of foreign operations	(29)	(153)	119	60	(64)
Items that will not be reclassified subsequently to profit or loss:					
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income	17	12	88		
Income tax relating to items	(4)	(2)	(17)		
Other comprehensive income/ (loss) for the year net of tax	(15)	(143)	190	60	(64)
Total comprehensive income for the period	(2,807)	7,470	33,225	3,500	14,075
Total profit or (loss) attributable to:					
- Owners of the parent	(2,614)	7,143	30,696	3,218	13,165
- Non-controlling interests	(178)	470	2,339	222	974
Total	(2,792)	7,613	33,035	3,440	14,139
Total comprehensive income attributable to:					
- Owners of the parent	(2,628)	7,010	30,873	3,274	13,105
- Non-controlling interests	(179)	460	2,352	226	970
Total	(2,807)	7,470	33,225	3,500	14,075

Consolidated statement of cash flows

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000 (Unaudited)	
Net Cash Inflow/ Outflow from Operating Activities	10,537	320,234	(248,846)	(179,979)	(61,090)
Income tax paid	(218)	(2,111)	(9,583)	-	(6,310)
Payments for interest on lease liabilities	(7)	(20)	(19)	(5)	(18)
Net cash generated from/ (used in) operating activities	10,312	318,103	(258,448)	(179,984)	(67,418)
Cash Flow from Investing Activities					
Sale/ (purchase) of investments	1,980	(216)	1	-	-
Purchase of property, plant and equipment	(706)	(470)	(346)	(57)	(86)
Purchase of intangible assets	(6,540)	(4,044)	(4,561)	(811)	(934)
Net cash used in investing activities	(5,266)	(4,730)	(4,906)	(868)	(1,020)
Cash Flow from Financing Activities					
Capital injection from issue of shares	-	500	-	-	-
Repayment of principal portion of the lease liability	(304)	(232)	(233)	(84)	(177)
Increase/ (decrease) in overdraft accounts	(70)	-	-	5	-
Net cash (used in)/ generated from financing activities	(374)	268	(233)	(79)	(177)
Net increase/ (decrease) in cash and cash equivalents	4,672	313,641	(263,587)	(180,931)	(68,615)
Cash and cash equivalents at the beginning of the year	802,418	805,167	1,120,109	1,120,109	907,053
Cash and balances at central banks	579,088	677,864	676,492	676,492	607,358
Money market funds	60,599	52,738	336,737	336,737	209,486
Loans and advances on demand to banks	162,731	74,565	106,880	106,880	90,209
Exchange (losses)/gains on cash and cash equivalents	(1,924)	1,301	50,531	39,943	7,755
Cash and cash equivalents at the end of the year	805,166	1,120,109	907,053	979,121	846,193
Cash and balances at central banks	677,864	676,492	607,358	670,550	661,598
Money market funds	52,738	336,737	209,486	221,024	103,281
Loans and advances on demand to banks	74,564	106,880	90,209	87,547	81,314

Consolidated statement of financial position

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	<i>£ '000</i>			
Assets				
Cash and balances at central banks	677,864	676,492	607,358	661,598
Money market funds	52,738	336,737	209,486	103,281
Loans and advances on demand to banks	74,565	106,880	90,209	81,314
Other loans and advances to banks	151,852	74,430	93,164	77,539
Loans and advances to customers	-	-	4,748	4,508
Derivative financial assets	2,305	1,641	6,590	10,180
Unsettled transactions	18,273	10,767	12,960	21,732
Accrued income	893	1,344	856	815
Investments in debt securities	162,369	73,248	414,061	480,786
Investments in equity securities	154	382	488	484
Other assets	4,403	8,203	19,537	9,779
Property, plant and equipment	2,514	2,057	1,579	1,451
Right of use assets	1,065	761	1,134	1,024
Intangible assets	22,733	22,663	22,624	22,385
Total assets	1,171,728	1,315,605	1,484,794	1,476,876
Liabilities				
Customer accounts	1,072,794	1,192,725	1,307,698	1,283,770
Derivative financial liabilities	13,511	7,669	4,565	17,689
Unsettled Transactions	2,094	18,338	25,782	20,706
Other liabilities	4,116	7,233	11,518	7,893
Provisions	137	32	79	7
Lease liabilities	1,051	819	1,281	1,122
Deferred tax liability	824	402	316	230
Accruals	6,040	8,659	19,364	17,039
Total liabilities	1,100,567	1,235,877	1,370,603	1,348,456
Equity				
Called up share capital	67,510	68,010	68,010	68,010
Retained earnings	1,138	8,870	40,299	53,557
Investment revaluation reserve	21	30	97	97
Other reserves	(2,170)	(2,270)	(1,870)	(1,870)
Foreign currency translation reserve	1	(142)	(31)	(91)
Equity attributable to owners of the parent	66,500	74,498	106,505	119,703
Non-controlling interests	4,661	5,230	7,686	8,717
Shareholders' funds	71,161	79,728	114,191	128,420
Total equity and liabilities	1,171,728	1,315,605	1,484,794	1,476,876

Operating Data and Key Performance Indicators

	As at 31 December			As at 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000 (Unaudited)	
Revenue, net of interest expense	33,893	53,149	109,919	16,844	41,260
Total Income, net of interest expense	34,267	53,496	109,435	16,844	41,260
Adjusted EBITDA	1,631	14,933	54,561	6,119	26,363
Adjusted EBITDA margin	5%	28%	50%	36%	64%
Cash Conversion %	(301)%	73%	92%	87%	96%

Reconciliations of non-IFRS financial measures

The following tables set forth reconciliations of the non-IFRS financial measures presented above to the most nearly comparable IFRS measures.

Adjusted EBITDA and Adjusted EBITDA Margin

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000 (Unaudited)	
Profit/(loss) before tax	(2,405)	9,512	43,491	4,391	18,653
<i>Adjusted for:</i>					
Amortisation	3,030	4,275	4,600	1,438	1,167
Depreciation	1,006	1,146	1,138	290	324
Non-recurring items	-	-	5,332	-	6,219
Adjusted EBITDA	1,631	14,933	54,561	6,119	26,363
Total Income, net of interest expense	34,267	53,496	109,435	16,844	41,260
Adjusted EBITDA Margin %	5%	28%	50%	36%	64%

Operating Free Cash Flow and Cash Conversion

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000 (Unaudited)	
Adjusted EBITDA	1,631	14,933	54,561	6,119	26,363
<i>Adjusted for:</i>					
Capital expenditure – Intangibles	(6,540)	(4,044)	(4,561)	(811)	(934)
Operating Free Cash Flow	(4,909)	10,889	50,000	5,308	25,429
Cash Conversion %	(301)%	73%	92%	87%	96%

Recent Developments

For information on recent developments occurring after 31 March 2023, which includes the declaration of the Special dividend, see, "Operating and Financial Review—Recent Developments".

OPERATING AND FINANCIAL REVIEW

The following overview of the Group's financial condition and results of operations as at and for the years ended 31 December 2020, 2021 and 2022 and as at and for the three months ended 31 March 2022 and 2023 should be read in conjunction with the Historical Financial Information and related notes included elsewhere in this document. One should not rely solely on the information contained in this section, but should read the following discussion together with the whole of this document.

The following discussion and analysis of financial position and results of operations includes forward-looking statements that reflect the current views of the Group's management and involve inherent risks and uncertainties. The actual results of the Group's operations could differ materially from those contained in such forward-looking statements due to the factors discussed below and elsewhere in this document, particularly in the section entitled "Risk Factors". The selected consolidated financial information in this section has been extracted, or recalculated based on information derived, from the Historical Financial Information, in each case without material adjustment, unless otherwise stated, as well as from internal data concerning the Group contained in the Company's management financial reports. The Historical Financial Information has been prepared on the basis stated in the Notes to the Consolidated Historical Financial Information and Interim Financial Information. See "Presentation of Financial and Other Information".

Overview

The Group uses its network, technology, and expertise to help governments, institutions, and organisations access hard-to-reach markets to move money where it is needed. The Group is a market leader in B2B cross-border payments and foreign exchange, specialising in emerging markets, covering over 150 countries as of 31 December 2022. Although it contains a UK-regulated bank, CAB, the Group is not a traditional lending institution, and instead moves large interbank flows, with an average ticket size of over \$100,000. The Directors believe the Group's infrastructure through its proprietary network, dedicated technology, and UK banking licence subject it to developed market risk standards, while delivering emerging market growth. Its blue-chip customer base includes several top 20 major market banks, fintech companies, development organisations and governments. The Directors believe that this unique set of characteristics has delivered strong unit economics, which has driven growth and profitability. In addition, the Group aims to have a significant social impact by helping to drive financial inclusion, formalise financial markets and strengthen the local economies where it delivers funds.

The Group manages its business around the customers it serves and the types of services offered. The Group organises its business across three business lines, with each of the Group's business lines addressing a certain combination of customer groups, distribution networks and services offered. These are offered via a range of channels, with the majority made available via GUI and the remainder through non-automated, human-to-human trader-supported, third party platform channels, and API. The Group's three business lines are:

- **FX:** The Group provides its customers around the world with a real-time FX trading platform, designed especially for emerging markets. FX customers specify the currency they wish to buy and the currency they wish to sell and are quoted a real-time, competitive price. The purchased currency is delivered to an account of their choosing, typically in the market associated with that currency. The Group offers these services through multiple channels: EMpower FX via API or GUI, multidealer platforms and the Group's own traders. For select customers the Group provides overdraft and post-paid accounts where it earns interest. The Group's FX service includes multi-channel access, integrated data analytics, built-in risk controls and a customisable customer experience.
- **Payments:** The Group provides an end-to-end, cross-border payments gateway to its broad range of global customers. Payments customers specify an amount and a beneficiary of the payment. The Group then routes this money to the beneficiary account, converting it to the relevant local currency as required. The Group offers these services through three distinct platforms: EMpower Payments (API or GUI), EMpower Pensions (a pension payments full service platform) and EMpower Connect (a bank-oriented service for making hard currency payments in the most efficient currency).
- **Banking Services:** The Group provides a range of banking and other services globally. The Group offers transaction and deposit accounts which earn a net interest margin between the rate the Group pays its deposit holders and the rate the Group receives in the money markets. The Group also offers trade finance and certain financial consulting related services.

Revenue and income from the Group's business lines, FX, Payments and Banking Services, reflect the Group's total income presented in the Group's Historical Financial Information. For a breakdown of total income by business line, see Note 4 of the Consolidated Historical Financial Information and Note 3 of the Interim Financial Information for more information.

Recent Developments

Taking into account the typical expected seasonality of the Group's business, the Group's performance since 31 March 2023 remains in line with management expectations and reflective of the financial targets set out in "*Business Description—Financial Targets and Objectives*".

Since 31 March 2023, the Group declared dividends (the "**Special dividend**"), the impact of which on the Group's consolidated statement of financial position is a reduction in shareholders' funds of £12.8 million, a reduction of cash and balances at central banks of £10.5 million and a reduction in other assets of £2.3 million (resulting from the immediate parent of the Principal Shareholder applying part of its proceeds of the Special dividend to repay an outstanding loan of £2.3 million to CAB). All payments in connection with the Special dividend are expected to be paid in full prior to any Admission.

The net impact of the Special dividend on the Group's consolidated statement of financial position is described above. However, in order to provide funds at the Company level, dividends were declared by CAB and its immediate holding company CAB Tech Holdco Limited ("**CTH**"). CAB declared a dividend of £19.5 million to CTH (the "**CAB dividend**"). CTH retained £2.3 million of the CAB dividend to eliminate its negative reserve. CTH declared a dividend of £17.1 million (the "**CTH dividend**") of which £1.5 million are expected to be paid to CTH's minority shareholders and £15.6 million are expected to be paid to the Company in full prior to any Admission. The Company used the CTH dividend to eliminate its negative reserve of £4.0 million, leaving £11.3 million to pay as a dividend to the Company's existing shareholders prior to any Admission.

The Special dividend was primarily paid to provide funds to the Group's existing shareholders prior to the Global Offering, as well as to create reserves for the Company and its subsidiaries in preparation for a Group reorganisation. The amount of the Special dividend was determined taking into account the Group and CAB's regulatory capital requirements and required notification to the PRA. As a result of the Special dividend, CAB's Tier 1 Capital will reduce by £19.5 million (reflecting the CAB dividend payment) and the Group's Tier 1 Capital will reduce by £12.8 million (reflecting the aggregate of the £11.3 million expected to be paid by the Company to its existing shareholders and the £1.5 million expected to be paid to CTH's minority shareholders by CTH).

See also Note 44 of the Consolidated Historical Financial Information and Note 22 of the Interim Financial Information.

In June 2023, the Group entered into an agreement to partner with PagoNxt, part of the Santander Group, to offer same-day delivery payments to Africa and Asia. The Group's technology and infrastructure will give PagoNxt and Santander customers access to efficient and reliable cross-border payments services across hard-to-reach markets via the Group's Local Bank Account Network and its other local third party liquidity providers.

Significant Factors Affecting Results of Operations

The Group believes that the following key factors have affected the Group's results of operations in the period under review and will continue to affect the Group's results of operations in the future.

Large, Fast-Growing Market Undergoing Favourable Structural Shifts

The Group operates in a large and growing market, with estimated revenues in the Group's Target Market expected to grow at a CAGR of 4.8% from 2022 until 2027, according to Market Data. This situates the Group in a growing market which provides opportunities for growth if it maintains its market share. Furthermore, this market is undergoing a structural shift with global and regional banks ceding market share to specialists, such as the Group. See "*Market/Industry Overview*" and "*Business Description-Competitive Strengths*" for additional information about the size of the Group's Target Market, expected growth and the expected size of the structural shifts from traditional banks to specialists like the Group in the coming years.

The Group believes these favourable market dynamics have contributed to its growth during the period under review. Furthermore, as a result of these favourable market dynamics, the Group is anticipating growth in its volume of transactions and revenue both as a result of the underlying growth in its Target Market and as targets to increase its overall market share by capturing new business in connection with the shift of services being provided in its market by specialist providers.

Macroeconomic and Political Environment

The Group's results of operations are affected by the macroeconomic and political environment globally and in the markets in which the Group operates. These factors affect both the level of demand for the Group's services and solutions and the take rates the Group receives from its customer transactions.

Macroeconomic and political conditions and other factors that positively impact foreign direct investment,

government and international development organisation spending, increase aid flows or increased levels of international remittances generally have a positive impact on the Group's results of operations, given the number of transactions that the Group executes for international organisations, governments, multinational corporations, businesses supporting remittance payments and charities. Certain of these drivers, such as aid flows and remittances, tend to be countercyclical with the overall macroeconomic environment, and increase in volume during periods of economic and market stress, which provides a certain degree of natural hedging for the Group's results of operation during times of economic downturn. Furthermore, the Group's fees, commissions and take rates of its FX and payment services have historically benefitted from macroeconomic or political conditions that increase the volatility of the currencies in which it offers its products or services, which generally have resulted in higher revenue earned by the Group given that the Group can apply higher spreads on its services during difficult market conditions. However, extreme macroeconomic or political developments have in the past and could in the future harm the Group's results of operation where such changes result in a significant decline in, the outright closure of trading ability or a change in the Group's competitive position for certain currency corridors or if the changes removed the Group's competitive advantage with respect to certain currency corridors where the Group generates revenue and has attractive fees, commissions or take rates. See "*Risk Factors—Changes in the macroeconomic and political environment in the Group's markets may have an adverse effect on the Group's business, results of operations, financial condition or prospects*" for additional information.

The Directors believe that having a broad mix of customers who use the Group's products and services for a variety of different purposes and the ability to transact in many currency corridors, increases the Group's resilience when faced changing macroeconomic or political conditions that might lead to a reduction in services into any particular region or market.

Revenue Concentration

The Group has built a platform with comprehensive and global coverage supporting transactions in more than 150 countries, including 119 countries covered directly as at 31 December 2022. This platform powers the support of transactions in more than 140 currencies across more than 550 currency corridors. The Group's core strength is based on the depth of its coverage and flows into Africa and Asia, where the Group has a differentiated offering driven by its network and infrastructure.

Revenue, volume and take rates vary significantly between currency corridors, and over time, based on liquidity and volatility dynamics.

The table below sets forth the concentration of the Group's net revenue (which reflects revenue, less clearing costs and other costs of sales; see also Note 4 of the Consolidated Historical Financial Information) ("**net revenue**") by top currency corridors (ranked on the basis of 2022 net revenue) for the years ended 31 December 2020, 2021 and 2022. The Group's top five currency corridors by net revenue in 2022 represented 19%, 37% and 40% of the Group's net revenue for the years ended 31 December 2020, 2021 and 2022, respectively.

Currency Corridors	For the year ended 31 December		
	2020	2021	2022
	%		
USD to NGN	7	26	24
USD to EUR ⁽¹⁾	5	3	5
XAF to EUR	5	5	4
USD to KES	1	1	4
XAF to USD	1	2	3
Top 6 to 10 currency corridors	19	10	14
Top 11 to 20 currency corridors	10	17	10
Other corridors	11	12	12
Other income ⁽²⁾	41	24	23

(1) The Group provides USD flows to other major currencies, like EUR, primarily generated by transactions for EMFIs customers located in the Caribbean or Africa, making USD to EUR one of the Group's top currency corridors.

(2) Other income includes Banking Services income (including net interest income), same currency payment income, and platform income (which relates to fees generated for last-mile payments made to mobile wallets).

Revenue from USD to NGN grew from £2.3 million to £25.7 million between 2020 and 2022. From mid-2021 through 31 March 2023, the Group's revenue has benefitted from political and market dynamics that constrained the availability of hard currencies (i.e. USD, EUR and GBP) in Nigeria. Because the Group, its Local Bank Account Network and other local third party liquidity providers were able to offer a reliable source of hard currencies in exchange for Naira, the Group's revenue benefitted as it was able to obtain higher take rates as a result of high demand and increased volumes of hard currency flows. While a new president was elected in Nigeria in February 2023, the

political and market conditions have continued to benefit the Group's FX capabilities in Nigeria. However, a new governor for the Central Bank of Nigeria may be appointed in June 2023, which could result in a change in FX policy in Nigeria which has benefitted the Group since mid-2021. While these dynamics have benefitted the Group's historical results of operation, the Group's 2023 and mid-term targets assume a return to normalcy in the second half of 2023 and that these favourable dynamics will end and that take rates and volumes for hard currencies to Naira will return to pre-mid 2021 levels. Furthermore, with respect to Naira's performance, the Directors believe a realistic worst-case scenario for its trading performance would be in the event of a return to unrestricted trading in Naira in the second half of 2023, which the Directors believe would shrink the Group's take rate for Naira but improve the volume of Naira flows. In the event of such a scenario, the Directors would still expect to meet the Group's total income target for 2023, and if the Naira take rates were to stay at current levels, they would expect the Group to exceed such total income growth target.

In 2022, the Group's growth in the USD to KES currency corridor was driven by new IDO customers that arose from partnerships with local banks, as well as by positive volatility in this take rate.

The Group's strategy anticipates that the Group will continue to strengthen the depth of its currency corridors by further expanding on its existing networks, with a focus on strengthening its networks in the Latin America and Southeast Asian markets in particular. These regions account for a substantial portion of emerging market volumes for FX and payments flows. While cross-border FX and payments take rates have been flat or eroding across all regions in the last years, the Group's Target Market currency corridors typically benefit from higher starting point take rates compared to many other regions.

Deepening networks within these geographies to strengthen the Group's currency corridors are expected to provide the business with enhanced access to liquidity in these local currencies, facilitating the ability to offer better pricing in addition to faster and more reliable settlements for customers and are part of the manner the Group aims to reach its total income targets for the mid-term.

Volume and Take Rates of FX and Payments Products

The Group's revenue is driven by the volume and take rates and/or pricing of its FX and payments products and services, which revenue is reflected in the Group's fees and commission income and net foreign exchange gain line items.

Volume

The Group's revenue for its FX and payments products and services are impacted by transaction volumes, which are in turn correlated with customer longevity and retention due to the fact that the Group tends to gradually increase the volume of transactions provided to existing customers over time. New customer acquisitions have also contributed to an increase in transaction volumes at the Group during the period under review, and are expected to continue to do so going forward. New customers typically represent roughly 10% of volumes in any given year during the period under review.

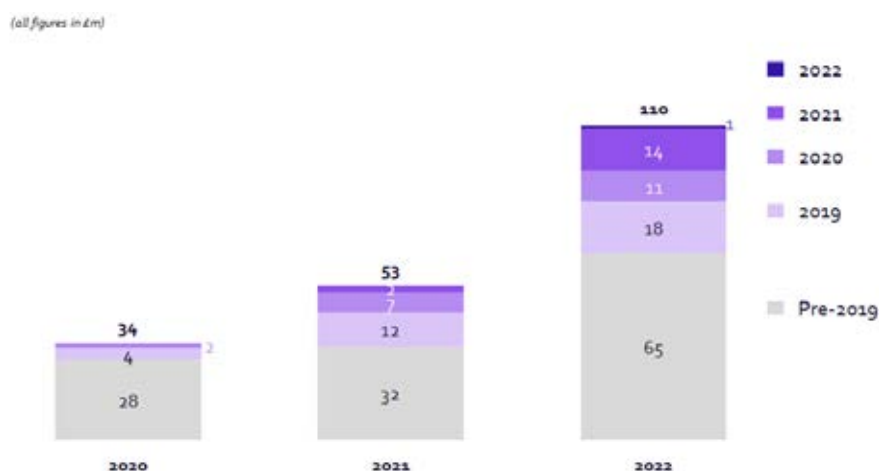
The Group's transaction volumes primarily come from its FX and cross currency payments products and services, which had combined volumes of £19 billion, £23 billion and £35 billion for the years ended 31 December 2020, 2021 and 2022, respectively.

Customer Retention and Increase in Share of Wallet of Existing Customers

The retention of customers is core to maintaining and growing the Group's transaction volumes, revenue and income. The Directors believe the high quality and stickiness of the Group's products and services are demonstrated by its minimal customer churn. During the three years ending 31 December 2022, the Group had a 96% three-year customer retention rate, with no customers in its top 50 customers leaving over this period. The Group also has a demonstrated track record of increasing its share of transaction volumes from its customers, as evidenced by its average Net Revenue Retention of 150% for its Customer Cohorts for the five years ended 31 December 2022, with Net Revenue Retention never going below 105% in this time period. In the year ended 31 December 2022, Net Revenue Retention was 198%. This is also shown by the Group's total income from its 2020 Customer Cohort, which had a CAGR of 63% between 31 December 2020 and 31 December 2022.

The table below illustrates the growth in volumes of the Group's total income by Customer Cohort (showing Customer Cohort revenue grouped according to the year customers were acquired), excluding reconciliation items. This demonstrates the Group's high Net Revenue Retention and the importance of its existing customers to the growth in the Group's total income during the periods indicated below:

Total Income Evolution by Customer Cohort



As customer relationships mature, customers typically use the Group for additional currency corridors or use additional products and services. The Directors therefore believe that growth in the Group's revenue will depend, in part, upon its ability to continue to attract and retain its high quality customer base with customers that are willing to increase their spend with the Group over time.

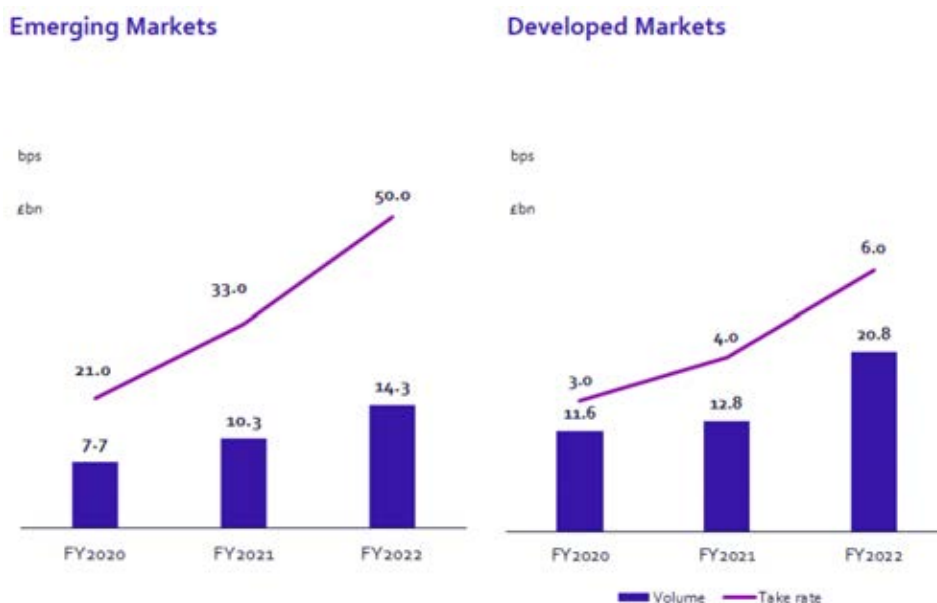
New Customer Acquisition

The expansion of the Group's customer base has been a key driver of the Group's growth in transaction volumes and revenue during the period under review, and is expected to continue to remain so going forward. New customers typically represented roughly 10% of volumes in any given year during the period under review. Customer numbers have grown consistently over the three years ended 31 December 2022, increasing from 379 as at 31 December 2020, 440 as at 31 December 2021 and 493 as at 31 December 2022. In the year ended 31 December 2022 and in the three months ended 31 March 2023, 95 new customers and 30 new customers, respectively, signed on and completed their first trade with the Group. Growth in customer numbers has been across NBFIs, IDOs, EMFIs, and major market banks, with a recent focus on acquiring new major market bank customers in particular. During the year ended 31 December 2022, the Group has onboarded the first of the targeted top 20 major market banks, which are expected to provide large scale transactional flows. Two other top-20 major market banks represent long-standing FX relationships, which the Group is actively looking to convert into payments customers. Major market bank customers give access to large global flows and provide an opportunity for a significant increase in transaction volumes. The Directors believe that new customer acquisition will continue to be an important driver of growth in the Group's revenue, particularly as the Directors believe that specialists will continue to gain in market share in the Group's Addressable Market (as defined in "Market/Industry Overview"), driven in part by the trend of many large banks ceasing to directly provide services in certain currency corridors and instead relying more on specialists, like the Group, to provide it and its customers with such services. See "Market/Industry Overview" for additional information.

Take Rates and/or Pricing

The take rates and/or prices that the Group charges for its FX and payments products and services are another key driver of its revenue. The Group's Target Market is primarily comprised of emerging markets, which currencies are often characterised by low liquidity, with limited volumes traded on the market. The illiquid nature of emerging market currencies drives higher volatility which in turn contributes to higher spreads, and consequently typically offers higher take rates for FX payment providers. In developed markets, the Group typically achieves take rates of 4 to 9 basis points, while in emerging markets, the Group generally achieves 40 to 50 basis points. Take rates on Target Market currencies can reach up to three times those of currencies from BICS markets and up to six times those from OECD countries, according to Market Data. The Directors believe that the higher take rates generally available on Target Market currencies will remain durable over the long term. Furthermore, take rates can benefit from FX and interest rate volatility, which cause the spread between spot and market price of an illiquid emerging market currency to widen. Assuming the Group appropriately manages the complexity and additional risk in these transactions, these wide spreads can be rewarding and benefit the Group's revenue and profitability. For the years

ended 31 December 2020, 2021 and 2022, the Group had average take rates (calculated as FX and cross-currency payments income divided by FX and cross currency payments volumes) of 0.10%, 0.17% and 0.24%, respectively. See "Market/Industry Overview" for further information. In addition, the Group is able to get better take rates when it gets to the point of having regular flows and solid partnerships in a given market. Furthermore, during the period under review same currency payments typically have a less significant growth rate than the Group's cross currency take rates due to more stable take rates in same currency payments. The chart below shows the Group's take rates and volumes (in billions of GBP) in emerging versus developed markets.



As the Group has certain currency corridors which generate more revenue as a result of the higher spreads and take rates typically available, the Group regularly examines its existing customer transactions and identifies opportunities to offer them products and services in currency corridors with more attractive spreads and take rates, as a way to grow the Group's revenue. The Group also tries to take advantage of increased demand for currencies, which drive increasingly more favourable terms from liquidity providers. This in turn enables the Group to offer more attractive pricing to its customers.

Furthermore, beyond the dealing profit that comes from the spread between the buy and sell of two FX trades, the Group's take rates also typically includes margin added to the transaction (i.e. the fee element agreed with the customer for the transaction), and may also include additional fees charged by the Group. The Group typically agrees any fees with a client when they are onboarded and does not amend them frequently. However, from time to time, the Group revisits its customer fees/tariffs to ensure they are aligned with current market pricing. For example, in 2021 the Group reviewed and revised its customer tariffs in connection with the Group's transition to its automated billing process using Nimbus. The Group implemented the change in pricing terms in early 2022, which contributed to a degree to its revenue growth, having a positive financial impact on the Group's results of operations for the year.

Net Interest Income

The Group also receives part of its revenue from net interest income, which represents the Group's interest income less its interest expense. The Group often requires customers to deposit funds in advance of providing FX or payments products and services, which contributes a portion of the deposits held by the Group. The Group's interest expense primarily comes from interest paid on customer deposits. The Group's interest income primarily comes from interest income received from cash deposits the Group holds in central banks for liquidity purposes as well as interest income from investment in debt securities or gains on money market funds, amongst others. In the years ended 31 December 2020, 2021, and 2022 and in the three months ended 31 March 2022 and 2023, £1.8 million, £1.3 million, £6.8 million, £1.0 million and £5.4 million, respectively of the Group's revenue was generated from net interest income. The main drivers of its net interest income is the interest rate and quantum of customer deposits. Most of this income is generated in USD. As at 31 December 2022, 76% of customer deposits were in USD, followed by 14% in GBP and 6% in EUR. Having a banking licence gives the Group the flexibility to offer a holistic range of financial and banking services to customers, including overdraft facilities for its customers to support payment post-trading. As part of its strategy, the Group intends to continue to explore selective ways to provide banking and other services to its customers to enhance outcomes for the Group's core FX and payments services. Going forward, if the Group were to increase the banking services it provides under its Banking Services business line, this would also likely lead to an

increase in net interest income.

The Group has historically been asset sensitive, meaning its assets reprice more quickly than its liabilities, meaning the Group expects its net interest income will increase if interest rates increase and decrease when interest rates decrease. The Group expects this pattern to be maintained.

Operating expenses and Employee Head Count

The Group's main operating expenses are its staff costs, professional fees costs and other operating expenses. During each of the periods under review, the Group experienced an increase in operating expenses driven by the growth in the Group's employees. The Group's overall employee head count increased from 170 as at 31 December 2020 to 175 as at 31 December 2021 to 242 as at 31 December 2022 and then to 282 as at 31 March 2023. The Group's FTEs (which includes the Group's employees, contractors and consultants) as at the same dates totalled 176, 195, 284 and 310 respectively.

The Group has in the past and expects in the future to incur certain operational expenses, such as hiring additional sales and marketing team members, which are expected to generate expenses without immediately generating revenue. Given the nature of the Group's revenue streams, which take time for sales teams to find additional customers and generate new business, the Group's investments in expansions of its sales and marketing team do not necessarily result in returns in the same period in which they are made but over subsequent periods. The Group expects to continue to invest in additional FTE hires to support its growth strategy.

Share-based Compensation

The Group's operating expenses include share-based compensation. The total share based payments expense recognised for the years ended 31 December 2020, 31 December 2021 and 30 December 2022 and the three months ended 31 March 2023 were £0.5 million, £0.7 million, £0.8 million and £0.1 million, respectively.

In connection with any Admission, the Board intends to approve plans typical of UK public companies being two all-employee share plans (the Crown Agents Bank Savings-Related Share Option Scheme (the "**SAYE**") and the Crown Agents Bank Share Incentive Plan (the "**SIP**")) and two discretionary executive share plans (the Crown Agents Bank Executive Share Option Plan (the "**CSOP**") and the Crown Agents Bank Long Term Incentive Plan (the "**LTIP**")) (together, the "**Public Company Plans**").

Profitability

Adjusted EBITDA for the years ended 31 December 2020, 2021, and 2022 and in the three months ended 31 March 2022 and 2023 was £1.6 million, £14.9 million, £54.6 million, £6.1 million and £26.4 million, respectively. During these same periods, Adjusted EBITDA margin was 5%, 28%, 50%, 36% and 64%, respectively.

During the period under review, the Adjusted EBITDA margin improvements were generally indicative of the effect of the Group's business scaling-up, with much of the increase in transaction volumes as a result of its growth resulting in increased revenue which was able to be generated without corresponding increases in operating expenses, which had a positive impact of the Group's Adjusted EBITDA and Adjusted EBITDA margin growth.

Seasonality

The Group's results of operations are subject to seasonality effects. While the seasonality impact may not always be visible in the periods under review due to the rapid growth experienced by the Group, the Group provides FX and payments products and services for a number of customers who have regular debt repayments, which are often concentrated at the end of March and end of September, which tend to increase the revenue from FX trading for the Group in each of its first and third quarters. Furthermore, the Group also typically experiences a slight slowdown in transactions during the second half of its year due to lower FX trading and payments during the summer months.

Results of Operations

Consolidated Statement of Comprehensive Income

The table below sets out the results of operations of the Group for the years ended 31 December 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023.

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000 (Unaudited)	
Continuing Operations					
Interest income					
<i>Interest income calculated using EIR</i>	6,936	2,706	17,108	1,384	11,357
<i>Other interest and similar income</i>	6	2	63	4	90
Interest expense	(5,180)	(1,410)	(10,398)	(290)	(6,033)
Net interest income	1,762	1,298	6,773	1,098	5,414
Net gain on financial assets mandatorily held at fair value through comprehensive income	2,064	888	1,009	(100)	568
Gains on money market funds	335	3	3,584	33	1,907
Fees and commission income	10,955	11,825	15,797	3,399	3,517
Net foreign exchange gain	18,777	39,135	82,756	12,414	29,854
Revenue, net of interest expense	33,893	53,149	109,919	16,844	41,260
Other operating income /(loss)	374	347	(484)	-	-
Total income, net of interest expense	34,267	53,496	109,435	16,844	41,260
Operating Expenses					
<i>Recurring</i>	(36,505)	(44,134)	(60,270)	(12,368)	(16,342)
<i>Non-recurring</i>	-	-	(5,332)	-	(6,219)
Impairment (loss)/ reversal on financial asset at amortised cost	(167)	150	(342)	(85)	(46)
(Loss)/ Profit before taxation	(2,405)	9,512	43,491	4,391	18,653
Tax charge	(387)	(1,899)	(10,456)	(951)	(4,514)
Profit/(loss) for the period from continuing operations	(2,792)	7,613	33,035	3,440	14,139

Total Income by product type

The consolidated statement of comprehensive income in the Group's Historical Financial Information is presented as required under the applicable accounting standards and the Group's accounting policies. Such standards and policies require income to be disaggregated according to the nature of the underlying contract between the Group and the customer and the performance obligations contained therein. However, management assesses the Group's performance based on income by product type as shown below. See also Note 4 of the Consolidated Historical Financial Information and Note 3 of the Interim Financial Information for more information.

The table below sets out total income by product type of the Group for the years ended 31 December 2020, 2021, and 2022 and the three months ended 31 March 2022 and 2023.

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000	
	(Audited)			(Unaudited)	
FX	14,904	29,241	63,425	9,090	24,187
Payments	12,993	20,368	33,661	6,600	9,066
Banking Services	6,370	3,887	12,349	1,154	8,007
Total income net of interest expenses	34,267	53,496	109,435	16,844	41,260

In addition to the Group's product types, management also monitors each product type by certain subcategories. FX is comprised of FX in emerging markets and FX in major markets. Payments is comprised of cross currency payments in emerging markets, cross currency payments in major markets and other payments. Within the Group's product type subcategories, emerging markets FX and cross currency payments have contributed the majority of income growth from 2020 to 2022, in a higher proportion as compared to the volumes transacted, primarily due to the Group benefitting from lower liquidity and higher take rates of certain emerging market currencies.

The table below shows the CAGR from 2020 to 2022 and the share of growth in total income by product type subcategories:

	Total income CAGR from 2020 to 2022 by product type subcategories (%)	Share of growth in total income by product type subcategories from 2020 to 2022 (%)
FX in emerging markets	109%	60%
FX in major markets	74%	4%
Cross currency payments in emerging markets	142%	16%
Cross currency payments in major markets	77%	4%
Other payments	27%	7%
Other income	41%	8%
Total	79%	99%

Explanation of Income Statement Line Items

Interest income, other interest and similar income, interest expense and net interest income: Interest income includes interest received on cash and balances at central banks, interest received on investment in debt securities as well as interest on loans and advances to customers. Other interest and similar income includes any dividend or interest earned on financial assets. Interest expense includes interest paid on customer accounts, and other interest expenses. Net interest income is the difference between interest income and interest expense.

Interest income and interest expense for all interest-bearing financial instruments, including interest accruals on related foreign exchange contracts and income from money market funds, are recognised within interest income and interest expense in the statement of profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Dividends in relation to money market fund exposures (via open ended investment companies) are reported within interest income and accrued on a daily basis. Other interest income and other interest expense reflect interest paid and received

in relation to collateral balances. See Note 3 in "*Consolidated Historical Financial Information*" for additional information about how interest income and expense are reported.

Net income from financial assets mandatorily held at fair value through profit or loss (swap interest income): This reflects the interest differential on the FX swap and is derived from the difference between the spot and forward rates at the trade date. On entering an FX swap where the final cashflow exchange has been agreed, there is an implied pay interest rate on the cash currency received and an interest rate on the currency swapped. This interest component is calculated at inception and accrued daily over the life of the trade.

Gains on money market funds: The Group holds investments in money market funds. These are fixed income mutual funds that invest in debt securities characterised by short maturities and minimal credit risk. Gain or losses on these money market funds are recorded in the consolidated statement of comprehensive income.

Fees and commission income: The Group provides various services to its customers and earns revenue from such services, such as payments, pension payment fees, platform fees and trade finance, as well as other services. Fees earned from services that are provided over a certain period are recognised as the services are provided. Fees earned from transaction type services are recognised when the service has been completed. Fees that are performance linked are recognised when the performance criteria are fulfilled. Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Net foreign exchange gain: These profits/losses arise on FX settlements involving the transfer of customer funds to specified recipients. Under the Group's FX and payments services, customers agree to terms and conditions for all transactions at the time of being onboarded with the Group. Until settlement, the Group measures transactions at fair value with changes in fair value being recognised in profit or loss.

Revenue: Revenue is the total of net interest income, fees and commission income and net foreign exchange gain income.

Other operating income/(loss): Other income represents tax credits received under the UK Research and Development Expenditure Credit scheme and is recognised in the statement of profit or loss in the same period in which the relevant expense is incurred.

Total income: Total Income represents the sum of revenue and operating income.

Operating expenses: Operating expenses represent the cost incurred in operating the Group, including staff costs, depreciation, amortisation and other operating expenses.

Non-recurring items: Items consist of material non-recurring items that are considered exceptional in nature by virtue of their size and/or incidence and as a result of arising outside of the normal trading of the Group.

Impairment loss on financial assets at amortised cost: Impairment loss on financial assets at amortised cost arises from changes in the provision for expected credit loss on the following financial instruments: loans and advances, investment in debt securities, other assets, accrued income and financial guarantee (guarantee and letter of credit confirmations/bill acceptances). The Group assesses at each reporting date whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Expected credit losses are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

Impairment losses are recognised in profit or loss and reflected in a loss allowance account. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. See Notes 3 and 37 in "*Consolidated Historical Financial Information*" for additional information.

Tax charge: Tax charge includes current tax and deferred tax, and has been calculated and recognised in the Group's consolidated statement of comprehensive income for the respective period. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities and the realisation of foreign exchange gain or loss for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are reviewed at each

reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Explanation of Total Income by Product Type Line Items

FX: The Group's revenue in the FX business line is derived from the difference between the exchange rate the Group makes available to its customers and the rate that it receives from one or more liquidity providers from whom it sources the relevant currency. Revenue categorised as FX is from customers with a need to exchange a bulk amount from one currency for another without onward payment to another party.

Payments: The Group's revenue in its Payments business line include cross currency payments, same currency payments (corresponding activity income, and account management fees), pension payments and platform revenue. Cross currency payments comprise take rates derived from bid-ask spreads on foreign currency conversion and fees paid by customers to transfer money from one country to another to third parties. Same currency relates to payment services provided for payments transacted without an exchange of foreign exchange, largely relating to major market currency clearing, and includes fees for account management activities and payments execution. Pension payments fees relate to amounts earned on processing of pension scheme foreign exchange payments. Platform revenue relates to recurring fixed fees rather than fees earned on transaction volumes.

Revenue and operating income varies by transaction based upon factors such as channel, send and receive locations and principal amount sent.

Banking Services: The Group also generates income from trade finance, liquidity services (including trade finance and letters of credit), and risk management consulting fees. As a licensed bank, the Group takes customer funds earmarked for other needs as customer deposits, and makes short-term investment in the money market to generate net interest income.

Consolidated statements of comprehensive income for the three months ended 31 March 2022 compared to the three months ended 31 March 2023

The table below sets out the results of operations for the three months ended 31 March 2022 and 2023.

	For the three months ended 31 March		Change
	2022	2023	%
	£ '000 (Unaudited)		
Continuing Operations			
Interest income			
<i>Interest income calculated using EIR</i>	1,384	11,357	721
<i>Other interest and similar income</i>	4	90	2150
Interest expense	(290)	(6,033)	1980
Net interest income	1,098	5,414	393
Net gain on financial assets mandatorily held at fair value through comprehensive income	(100)	568	668
Gains on money market funds	33	1,907	5679
Fees and commission income	3,399	3,517	3
Net foreign exchange gain	12,414	29,854	140
Revenue, net of interest expense	16,844	41,260	145
Other operating income/(loss)	-	-	n.m.
Total income, net of interest expense	16,844	41,260	145
Operating expenses			
<i>Recurring</i>	(12,368)	(16,342)	(32)
<i>Non-recurring</i>	-	(6,219)	n.m.
Impairment (loss)/reversal on financial assets at amortised cost	(85)	(46)	46
Profit/(loss) before tax	4,391	18,653	325
Tax charge	(951)	(4,514)	375
Profit/(loss) for the period	3,440	14,139	311

Net interest income

Net interest income increased significantly by £4.3 million or 393% from a profit of £1.1 million for the three months ended 31 March 2022, to £5.4 million for the three months ended 31 March 2023.

The table below sets out net interest income for the three months ended 31 March 2022 and 2023.

	For the three months ended 31 March		Change
	2022	2023	%
	£ '000		
Interest income			
Interest on cash and balances at central banks	735	6,470	780
Interest on loans and advances	476	1,186	150
Interest on investment in debt securities	173	3,701	2039
Total interest income calculated using EIR	1,384	11,357	721
Other interest income and similar income	4	90	2150
Total Interest Income	1,388	11,447	725
Interest expense			
Interest on financial liabilities at amortised cost	(287)	(5,990)	1987
Interest expense on lease liabilities	(3)	(17)	467
Other interest expense	-	(26)	n.m.
Total Interest Expense	(290)	(6,033)	1980
Total Net interest income	1,098	5,414	393

Total Interest income

Total Interest income calculated using the effective interest method increased significantly by £10.0 million, or 721%, from £1.4 million for the three months ended 31 March 2022, to £11.4 million for the three months ended 31 March 2023. The large increase was primarily due to increases in GBP and USD interest rates driving increased interest income on assets.

Total Interest expense

Total Interest expense increased significantly by £5.7 million, from £0.3 million for the three months ended 31 March 2022, to an expense of £6.0 million for the three months ended 31 March 2023. The large increase was primarily due to increases in GBP and USD interest rates driving higher rates payable on the Group's deposits.

Gains on money market funds

Gains on money market funds increased significantly by £1.9 million from £0.0 million for the three months ended 31 March 2022, to £1.9 million for the three months ended 31 March 2023. The large increase was primarily due to higher volumes invested in money market funds during the first quarter of 2023 in comparison to the equivalent period in 2022 and due to higher USD interest rates resulting in an enhanced yield on the underlying money market instruments within the fund.

Fees and commission income

Fees and commission income increased by £0.1 million, or 3%, from £3.4 million for the three months ended 31 March 2022, to £3.5 million for the three months ended 31 March 2023, reflecting the stable nature of the services reported as fees and commission income during these periods.

The table below sets out fees and commission income for the three months ended 31 March 2022 and 2023.

	For the three months ended 31 March		Change
	2022	2023	%
	£ '000		
Fees and commission income			
Account management and payments	2,699	2,857	6
Pension payment fees	269	268	n.m.
Trade finance	123	118	(4)
Electronic platform fees	273	178	(35)
Risk assessment services	34	96	182
Introductory fees	-	-	n.m.
Total fees and commission Income	3,399	3,517	3

Net foreign exchange gain

Net foreign exchange gain increased significantly by £17.4 million, or 140%, from a profit of £12.4 million for the three months ended 31 March 2022, to £29.9 million for the three months ended 31 March 2023. The increase was driven by increases in take rates and volume of emerging market currency transactions.

The table below sets out net foreign exchange gain income for the three months ended 31 March 2022 and 2023.

	For the three months ended 31 March		Change
	2022	2023	%
	£ '000		
Net foreign exchange gain			
Profit on settlement of foreign exchange contracts, fair value gains on derivatives, and remeasurement of non-sterling balances	9,090	24,124	165
Foreign exchange gains on payment transaction revenue	3,324	5,730	72
Total foreign exchange transactions	12,414	29,854	140

Revenue

Revenue increased significantly by £24.4 million, or 145%, from a profit of £16.8 million for the three months ended 31 March 2022, to £41.3 million for the three months ended 31 March 2023.

Total income

Total income increased significantly by £24.4 million, or 145%, from £16.8 million for the three months ended 31 March 2022, to £41.3 million for the three months ended 31 March 2023.

The table below presents the Group's total income by product type over the periods indicated:

	For the three months ended 31 March		Change
	2022	2023	%
	£ '000		
Analysis of total income by product type			
FX	9,090	24,187	166
Payments	6,600	9,066	37
Banking Services	1,154	8,007	594
Total income net of interest expenses	16,844	41,260	145

FX revenue increased significantly by £15.1 million, or 166%, from £9.1 million for the three months ended 31 March 2022, to £24.2 million for the three months ended 31 March 2023. The increase was driven by increases in take rates and volume of emerging market currency transactions, primarily reflecting the evolution of new customer wins particularly in the major market bank and IDOs customer segments.

Payments revenue increased by £2.5 million, or 37%, from £6.6 million for the three months ended 31 March 2022, to £9.1 million for the three months ended 31 March 2023. Payments revenue represents both same currency payments and cross currency payments. For the three months ended 31 March 2023, cross currency payments increased by 75% to £5.8 million, as a result of higher transaction volumes and take rates of cross currency payments in the NBFi customer segment. Same currency payments over the same period reflected growth of 5% to £2.4 million.

Banking Services income increased significantly by £6.9 million, or 594%, from £1.2 million for the three months ended 31 March 2022, to £8.0 million for the three months ended 31 March 2023. The increase is largely as a result of the increase in net interest income and gains on money market funds as described above.

Total recurring operating expenses

Total recurring operating expenses increased by £4.0 million, or 32%, from £12.4 million for the three months ended 31 March 2022, to £16.3 million for the three months ended 31 March 2023. The increase is principally driven by an increase in headcount which resulted in increase in staff costs of £3.0 million and other operating expenses of £1.2 million.

The following table sets forth a breakdown of the Group's operating expenses for the periods indicated:

	For the three months ended 31 March		Change
	2022	2023	%
	<i>£'000</i>		
Staff costs and directors' emoluments (before non-recurring items)			
<i>Salaries and bonuses</i>	5,708	8,123	42
<i>Share based payments</i>	97	97	n.m.
<i>Social security costs</i>	494	936	89
<i>Pension costs</i>	305	472	55
Total staff costs	6,604	9,628	46
Clearing Costs	433	464	7
Depreciation and amortization			
<i>Amortisation of intangible assets</i>	1,468	1,167	(21)
<i>Depreciation of property, plant, and equipment</i>	214	214	n.m.
<i>Depreciation charge for right-of-use assets</i>	76	110	45
Total depreciation and amortisation	1,758	1,491	(15)
Low-value lease expenses	-	-	n.m.
Other costs of sales	-	-	n.m.
Other operating expenses	3,573	4,759	33
Total Recurring Operating expenses	12,368	16,342	32
Non-recurring items ⁽¹⁾	-	6,219	n.m.
Total operating expenses	12,368	22,561	82

(1) Non-recurring items consist of material non-recurring items that are considered exceptional in nature by virtue of their size and/or incidence and as a result of arising outside of the normal trading of the Group. At 31 March 2023, non-recurring items were £6.2 million (31 March 2022: nil).

Non-recurring items

Non-recurring items increased by £6.2 million from none for the three months ended 31 March 2022, to £6.2 million for the three months ended 31 March 2023. These expenses related to professional costs related to the preparation and review of strategic options, including certain expenses associated with preparation for the Global Offering.

Profit/(loss) before tax

Profit after non-recurring items increased significantly by £14.3 million, or 325%, from £4.4 million for the three months ended 31 March 2022, to £18.7 million for the three months ended 31 March 2023.

Tax charge on profit/(loss)

Tax charge on loss increased significantly by £3.6 million, or 375%, from £1.0 million for the three months ended 31 March 2022, to £4.5 million for the three months ended 31 March 2023, as a result of increased taxable profit for the period.

Profit/(loss) for the period

Profit for the financial period increased by £10.7 million, or 311%, from £3.4 million for the three months ended 31 March 2022, to £14.1 million for the three months ended 31 March 2023.

Consolidated statements of comprehensive income for the year ended 31 December 2021 compared to the year ended 31 December 2022

The table below sets out the results of operations for the years ended 31 December 2021 and 2022.

	For the year ended 31 December		Change
	2021	2022	%
	£ '000		
Continuing Operations			
Interest income			
<i>Interest income calculated using EIR</i>	2,706	17,108	532
<i>Other interest and similar income</i>	2	63	n.m.
Interest expense	(1,410)	(10,398)	637
Net interest income	1,298	6,773	422
Net gain on financial assets mandatorily held at fair value through comprehensive income	888	1,009	14
Gains on money market funds	3	3,584	n.m.
Fees and commission income	11,825	15,797	34
Net foreign exchange gain	39,135	82,756	111
Revenue, net of interest expense	53,149	109,919	107
Other operating income/(loss)	347	(484)	(239)
Total income, net of interest expense	53,496	109,435	105
Operating expenses			
<i>Recurring</i>	(44,134)	(60,270)	37
<i>Non-recurring</i>	-	(5,332)	n.m.
Impairment (loss)/reversal on financial assets at amortised cost	150	(342)	(328)
Profit/(loss) before tax	9,512	43,491	357
Tax charge	(1,899)	(10,456)	451
Profit/(loss) for the year	7,613	33,035	334

Net interest income

Net interest income increased significantly by £5.5 million, or 422%, from £1.3 million for the year ended 31 December 2021, to £6.8 million for the year ended 31 December 2022.

The table below sets out net interest income for the years ended 31 December 2021 and 2022.

	For the year ended 31 December		Change
	2021	2022	%
	£ '000		
Interest income			
Interest on cash and balances at central banks	680	8,216	1,100
Interest on loans and advances	1,394	3,723	167
Interest on investment in debt securities	632	5,168	718
Total interest income calculated using EIR	2,706	17,107	532
Other interest income and similar income	1	63	n.m.
Total Interest Income	2,707	17,170	534
Interest expense			
Interest on financial liabilities at amortised cost	1,389	10,329	644
Interest expense on lease liabilities	20	19	(5)
Other interest expense	1	51	n.m.
Total interest expense	1,410	10,398	637
Total net interest income	1,298	6,773	422

Total interest income

Total interest income increased significantly by £14.5 million, or 534%, from £2.7 million for the year ended 31 December 2021, to £17.2 million for the year ended 31 December 2022. This interest income is earned on the Groups

cash, loans and advances, and investments in debt securities balances. During the latter half of the year ended 31 December 2022 interest rates increased meaning the amount of interest income increased significantly.

Total Interest expense

Total interest expense increased significantly by £9.0 million, or 637.4%, from £1.4 million for the year ended 31 December 2021, to £10.4 million for the year ended 31 December 2022. This interest expense is paid on customer advances and increased as a result of the changes in interest rates during the year.

Gains on money market funds

Gains on money market funds increased significantly by £3.6 million, from £3,000 for the year ended 31 December 2021, to £3.6 million for the year ended 31 December 2022. This increase is as a result of an increase in funds held as money market funds during the year, and an increase in interest rates.

Fees and commission income

Fees and commission income increased significantly by £4.0 million, or 33.6%, from £11.8 million for the year ended 31 December 2021, to £15.8 million for the year ended 31 December 2022.

The table below sets out fees and commission income for the years ended 31 December 2021 and 2022.

	For the year ended 31 December		Change
	2021	2022	%
	£ '000		
Fees and commission income			
Account management and payments	8,781	12,151	38
Pension payment fees	1,156	1,395	21
Trade finance	768	645	(16)
Electronic platform fees	537	785	46
Risk assessment services	583	-	n.m.
Introductory fees	-	821	n.m.
Total fees and commission Income	11,825	15,797	34

Fees and commission income are generated from the services offered to customers (categorised by the type of contractual relationship with customers) the largest of which during this period was account management and payment services which income increased significantly by £3.4 million, or 38.4%, from £8.8 million for the year ended 31 December 2021, to £12.1 million for the year ended 31 December 2022. This growth was driven by increased transaction volumes which also benefitted from on-boarding of additional customers. The other services of pension payment fees, electronic platform fees, and introductory fees all increased while trade finance revenue and risk assessment fees declined. In aggregate these services contributed £3.6 million for the year ended 31 December 2022 compared to £3.0 million for the year ended 31 December 2021.

Net foreign exchange gain

Net foreign exchange gain increased significantly by £43.6 million, or 111.5%, from £39.1 million for the year ended 31 December 2021, to £82.8 million for the year ended 31 December 2022.

The table below sets out net foreign exchange gain income for the years ended 31 December 2021 and 2022.

	For the year ended 31 December		Change
	2021	2022	%
	£ '000		
Net foreign exchange gain			
Profit on settlement of foreign exchange contracts, fair value gains on derivatives, and remeasurement of non-sterling balances	28,738	63,080	120
Foreign exchange gains on payment transaction revenue	10,397	19,676	89
Total foreign exchange transactions	39,135	82,756	111

The increase in net foreign exchange gain was primarily driven by increases in take rate and volume of emerging market currency transactions predominately from NBFI and IDO customers. Foreign exchange gains on payment transaction revenue earned from major market currencies also increased during the year ended 31 December 2022

compared to the year ended 31 December 2021. This was driven by increased transaction volumes at higher take rates. Volume increases were facilitated by the digitisation of operational processes through its EMpower FX platform improvements in the preceding period.

Revenue

As a result of the above, revenue increased significantly by £56.8 million, or 106.8%, from £53.1 million for the year ended 31 December 2021, to £109.9 million for the year ended 31 December 2022.

Operating income

The Group's other operating income decreased significantly over the period. Operating income was £(0.5) million for the year ended 31 December 2022, compared to £0.3 million for the year ended 31 December 2021.

Total Income

Total income increased by £55.9 million, or 104.6%, from £53.5 million for the year ended 31 December 2021, to £109.4 million for the year ended 31 December 2022.

The table below presents the Group's total income by product type over the periods indicated:

	For the year ended 31 December		Change
	2021	2022	%
	£ '000		
Analysis of Total Income by Product Type			
FX	29,241	63,425	117
Payments	20,368	33,661	65
Banking Services	3,887	12,349	218
Total income net of interest expenses	53,496	109,435	105

FX revenue increased significantly by £34.2 million, or 117%, from £29.2 million for the year ended 31 December 2021, to £63.4 million for the year ended 31 December 2022. Increased revenue from IDO and NBF1 customers was the largest contributor to growth compared with the previous period. These customer types also have a higher take rate profile reflecting their emerging market currency characteristics which benefitted FX revenue. During this period local market conditions also contributed to the widening of take rates compared to the previous period, which also drove an increase in FX revenue. EMFI customers also performed well growing revenues from both emerging market currencies and major market currencies. Major market banks is a relatively new customer type for the Group and contributed significant volume growth for the year ended 31 December 2022 compared to the previous period albeit at lower take rates.

Payments revenue increased by £13.3 million, or 65%, from £20.4 million for the year ended 31 December 2021, to £33.7 million for the year ended 31 December 2022. Significant growth during the period was reported in cross currency payments transactions, which was driven by NBF1 customers principally from emerging market currencies, and EMFI customers principally from major market currencies. Same currency payments growth was driven by an increase in the number of customers and an increase in revenue per customer.

Banking Services income increased significantly by £8.5 million, or 218%, from £3.9 million for the year ended 31 December 2021, to £12.3 million for the year ended 31 December 2022. This was principally driven by increases in net interest income as described above.

Operating expenses

Operating expenses increased significantly by £16.2 million, or 37%, from £44.1 million for the year ended 31 December 2021, to £60.3 million for the year ended 31 December 2022.

The largest component of operating expenses is staff costs and directors' emoluments which increased significantly from by £10.7 million, or 43%, from £25.1 million for the year ended 31 December 2021, to £35.8 million for the year ended 31 December 2022. This was principally driven by an increase in employee headcount which increased from 175 as at 31 December 2021 to 242 as at 31 December 2022 across all areas of the Group to support its continued growth.

Other operating expenses increased significantly by £3.5 million, or 30%, from £11.6 million for the year ended 31 December 2021, to £15.1 million for the year ended 31 December 2022. Clearing costs, which are fees charged by clearing houses to handle transactions and relate primarily to the Group's USD clearing institution arrangements, increased from £1.6 million for the year ended 31 December 2021 to £2.6 million for the year ended 31 December

2022 as a direct result of the increase in payment transactions by the Group on behalf of customers. Also included in other operating expenses are professional fees, software and maintenance costs, premises costs, travel costs and other general expenses all of which increased as the operations of the Group continued to scale up in connection with its growth.

Operating expenses also include charges for depreciation and amortization which broadly stayed consistent period to period at £5.4 million for the year ended 31 December 2021, compared to £5.7 million for the year ended 31 December 2022.

The following table sets forth a breakdown of the Group's operating expenses for the periods indicated:

	For the year ended 31 December		Change
	2021	2022	%
	£ '000		
Staff costs and directors' emoluments (before non-recurring items)			
<i>Salaries and bonuses</i>	20,662	30,050	45
<i>Share based payments</i>	722	837	16
<i>Social security costs</i>	2,614	3,484	33
<i>Pension costs</i>	1,070	1,445	35
Total staff costs	25,068	35,816	43
Clearing Costs	1,576	2,597	65
Fees payable to the auditors			
<i>Audit</i>	333	827	148
<i>Audit related services</i>	-	-	n.m.
<i>Non-audit services</i>	-	11	n.m.
Depreciation and amortization			
<i>Amortisation of intangible assets</i>	4,275	4,600	8
<i>Depreciation of property, plant, and equipment</i>	842	816	(3)
<i>Depreciation charge for right-of-use assets</i>	304	322	6
Total Depreciation and Amortisation	5,421	5,738	6
Low-value lease expenses	23	25	9
Other costs of sales	78	138	77
Other operating expenses	11,635	15,118	30
Total recurring operating expenses	44,134	60,270	37
Non-recurring items ⁽¹⁾	-	5,332	n.m.
Total operating expenses	44,134	65,602	49

(1) Non-recurring items consist of material non-recurring items that are considered exceptional in nature by virtue of their size and/or incidence and as a result of arising outside of the normal trading of the Group. During 2022, non-recurring items are £5.3 million (2021: none).

Non-recurring items

Non-recurring items increased significantly by £5.3 million from none for the year ended 31 December 2021, to £5.3 million for the year ended 31 December 2022. This increase comes from professional costs related to the preparation and review of strategic options of £1.9 million and non-performance related staff bonuses of £3.5 million.

Profit/(loss) before tax

Profit before tax increased significantly by £34.0 million, or 357.2%, from £9.5 million for the year ended 31 December 2021, to £43.5 million for the year ended 31 December 2022.

Tax charge on profit/(loss)

Tax charge on profit increased significantly by £8.6 million, or 450.6%, from £1.9 million for the year ended 31 December 2021, to £10.5 million for the year ended 31 December 2022, as a result of increased profits. The Group's effective tax rate increased from 20% for the year ended 31 December 2021 to 24% for the year ended 31 December 2022 as a result of the Group's profits being subject to the 8% tax surcharge for profits above £25 million during 2022, which surcharge was not applicable in 2021 due to profits being beneath the applicable threshold.

Profit/(loss) for the financial year

Profit for the financial year increased significantly by £25.4 million, or 333.9%, from £7.6 million for the year ended 31 December 2021, to £33.0 million for the year ended 31 December 2022.

Consolidated statements of comprehensive income for the year ended 31 December 2020 compared to the year ended 31 December 2021

The table below sets out the results of operations for the years ended 31 December 2020 and 2021.

	For the year ended 31 December		Change
	2020	2021	%
	£ '000		
Continuing Operations			
Interest income			
<i>Interest income calculated using EIR</i>	6,936	2,706	(61)
<i>Other interest and similar income</i>	6	2	(67)
Interest expense	(5,180)	(1,410)	(73)
Net interest income	1,762	1,298	(26)
Net gain on financial assets mandatorily held at fair value through comprehensive income	2,064	888	(57)
Gains on money market funds	335	3	(99)
Fees and commission income	10,955	11,825	8
Net foreign exchange gain	18,777	39,135	108
Revenue, net of interest expense	33,893	53,149	57
Other operating income/(loss)	374	347	(7)
Total income, net of interest expense	34,267	53,496	56
Operating expenses			
<i>Recurring</i>	(36,505)	(44,134)	21
<i>Non-recurring</i>	-	-	n.m.
Impairment (loss)/reversal on financial assets at amortised cost	(167)	150	145
Profit/(loss) before tax	(2,405)	9,512	496
Tax charge	(387)	(1,899)	(391)
Profit/(loss) for the year	(2,792)	7,613	373

Net interest income

Net interest income decreased significantly by £0.5 million, or 26.3%, from £1.8 million for the year ended 31 December 2020, to £1.3 million for the year ended 31 December 2021.

The table below sets out net interest income for the years ended 31 December 2020 and 2021.

	For the year ended 31 December		Change
	2020	2021	%
	£ '000		
Interest income			
Interest on cash and balances at central banks	1,148	680	(41)
Interest on loans and advances	3,515	1,394	(60)
Interest on investment in debt securities	2,273	632	(72)
Total interest income calculated using EIR	6,936	2,706	(61)
Other interest income and similar income	6	1	(83)
Total Interest Income	6,942	2,707	(61)
Interest expense			
Interest on financial liabilities at amortised cost	5,160	1,389	(73)
Interest expense on lease liabilities	7	20	186
Other interest expense	14	1	(93)
Total interest expense	5,180	1,410	(73)
Total net interest income	1,762	1,298	(26)

Total interest income decreased by £4.2 million, or 61%, from £6.9 million for the year ended 31 December 2020, to £2.7 million for the year ended 31 December 2021.

Total interest expense decreased by £3.8 million, or 73%, from £5.2 million for the year ended 31 December 2020, to £1.4 million for the year ended 31 December 2021. The significant reductions in interest income were offset by similar reductions in interest expense for the year ended 31 December 2021 compared to the year ended 31 December 2020. This was largely the full year effect of the reduction in the Bank of England's base rate to 0.1%, which was implemented part way through the year ended 31 December 2020 and remained in effect throughout the whole of the year ended 31 December 2021.

Gains/ (losses) on money market funds

Gains on money market funds decreased significantly by £0.3 million, or 99.1%, from £0.3 million for the year ended 31 December 2020, to £3 thousand for the year ended 31 December 2021. The decrease is a reflection of the reduction of interest rates as described in net interest income above.

Fees and commission income

Fees and commission income increased by £0.9 million, or 7.9%, from £11.0 million for the year ended 31 December 2020, to £11.8 million for the year ended 31 December 2021.

The table below sets out fees and commission income for the years ended 31 December 2020 and 2021.

	For the year ended 31 December		Change
	2020	2021	%
	£ '000		
Fees and commission income			
Account management and payments	6,500	8,781	35
Pension payment fees	1,085	1,156	7
Trade finance	1,012	768	(24)
Electronic platform fees	1,368	537	(61)
Risk assessment services	990	583	(41)
Introductory fees	-	-	n.m.
Total fees and commission income	10,955	11,825	8

Fees and commission income are generated from the services offered to customers (categorised by the type of contractual relationship with customers) the largest of which during this period was account management and payment services which increased significantly by £2.3 million, or 35%, from £6.5 million for the year ended 31 December 2020, to £8.8 million for the year ended 31 December 2021. This growth was driven by increased transaction volumes which also benefitted from on-boarding of additional customers. The other services of pension payment fees, electronic platform fees, risk assessment services and trade finance in aggregate contributed £3.0 million for the year ended 31 December 2021 compared with £4.5 million for the year ended 31 December 2020.

Net foreign exchange gain

Net foreign exchange gain increased significantly by £20.4 million, or 108.4%, from £18.8 million for the year ended 31 December 2020, to £39.1 million for the year ended 31 December 2021. This increase is primarily driven by increases in take rate and volume of emerging market currency transactions predominately by IDO customers.

The table below sets out net foreign exchange gain income for the years ended 31 December 2020 and 2021.

	For the year ended 31 December		Change
	2020	2021	%
	£ '000		
Net foreign exchange gain			
Profit on settlement of foreign exchange contracts, fair values gains on derivatives, and remeasurement of non-sterling balances	14,791	28,738	94
Foreign exchange gains on payment transaction revenue	3,986	10,397	161
Total foreign exchange transactions	18,777	39,135	108

Revenue

Revenue increased by £19.3 million, or 56.8%, from £33.9 million for the year ended 31 December 2020, to £53.1 million for the year ended 31 December 2021.

Other operating income

Other operating income decreased by £0.03 million, or 7.2%, from £0.37 million for the year ended 31 December 2020, to £0.35 million for the year ended 31 December 2021.

Total Income

Total income increased significantly by £19.2 million, or 56.1%, from £34.3 million for the year ended 31 December 2020, to £53.5 million for the year ended 31 December 2021.

The table below presents the Group's total income by product type for the years ended 31 December 2020 and 2021:

	For the year ended 31 December		Change
	2020	2021	%
	£ '000		
FX	14,904	29,241	96
Payments	12,993	20,368	57
Banking Services	6,370	3,887	(39)
Total income net of interest expenses	34,268	53,496	56

FX revenue increased significantly by £14.3 million, or 96%, from £14.9 million for the year ended 31 December 2020, to £29.2 million for the year ended 31 December 2021. Revenue from IDO customers was the largest contributor to growth compared with the previous period. These customer types also have a higher take rate profile reflecting their emerging market currency characteristics. NBF and EMFI customers also performed well growing revenues through growing transaction volumes from existing customers, as well as an increase in the number of such customers.

Payments revenue increased by £7.4 million, or 57%, from £13.0 million for the year ended 31 December 2020, to £20.4 million for the year ended 31 December 2021. Significant growth during the period was reported in cross currency payments transactions, which was driven by increased volume from NBF customers, principally from emerging market currencies. Same currency payments growth was driven by an increase in the number of customers, as well as an increase in revenue per customer.

Banking Services income decreased by £2.5 million, or 39%, from £6.4 million for the year ended 31 December 2020, to £3.9 million for the year ended 31 December 2021, largely as a result of a reduction in net interest income as described above.

Operating expenses

Operating expenses increased significantly by £7.6 million, or 21%, from £36.5 million for the year ended 31 December 2020, to £44.1 million for the year ended 31 December 2021. The increase was principally as a result of a £5.8 million increase in staff costs and directors' emoluments, including a £2.2 million increase in bonuses, which was driven by an increase in staff headcount in 2021 compared to 2020. In addition, charges for amortisation of intangible assets were £1.2 million higher for the year ended 31 December 2021 compared with the year ended 31 December 2020 as a result of intangible asset additions, of which other software additions were the most significant. The Group's other operating expenses increased slightly by £0.2 million or 2%, from £11.4 million for the year ended 31 December 2020, to £11.6 million for the year ended 31 December 2021.

The following table sets forth a breakdown of the Group's operating expenses for the periods indicated:

	For the year ended 31 December		Change
	2020	2021	%
	<i>£ '000</i>		
Staff costs and directors' emoluments (before non-recurring items)			
<i>Salaries and bonuses</i>	16,032	20,662	29
<i>Share based payments</i>	511	722	41
<i>Social security costs</i>	1,863	2,614	40
<i>Pension costs</i>	898	1,070	19
Total staff costs	19,304	25,068	30
Clearing Costs	1,198	1,576	32
Fees payable to the auditors			
<i>Audit</i>	445	333	(25)
<i>Audit related services</i>	-	-	
<i>Non-audit services</i>	-	-	
Depreciation and amortisation			
<i>Amortisation of intangible assets</i>	3,030	4,275	41
<i>Depreciation of property, plant, and equipment</i>	702	842	20
<i>Depreciation charge for right-of-use assets</i>	304	304	0
Total depreciation and amortization	4,036	5,421	34
Low-value lease expenses	53	23	(57)
Other costs of sales	39	78	100
Other operating expenses	11,430	11,635	2
Total recurring operating expenses	36,505	44,134	21
Non-recurring items ⁽¹⁾	-	-	
Total operating expenses	36,505	44,134	21

(1) Non-recurring items consist of material non-recurring items that are considered exceptional in nature by virtue of their size and/or incidence and as a result of arising outside of the normal trading of the Group.

Non-recurring items

There were no non-recurring items incurred for the year ended 31 December 2020 or the year ended 31 December 2021.

Profit/(loss) before tax

Profit before tax was £9.5 million for the year ended 31 December 2021, compared to loss before tax of £2.4 million for the year ended 31 December 2020.

Tax charge on profit/(loss)

Tax charge on profit increased by £1.5 million, to £1.9 million for the year ended 31 December 2021 compared to tax charge on profit of £0.4 million for the year ended 31 December 2020. This increase was primarily due to increases in taxable profit during the period.

Profit/(loss) for the financial year

Profit for the financial year was £7.6 million for the year ended 31 December 2021, compared to loss for the financial year of £2.8 million for the year ended 31 December 2020.

Cash Flows

Net cash generated from operating activities

The balance sheet largely comprises interest-bearing current and term customer deposits to support payment flows which the Group holds in high quality liquid assets in order to meet liquidity requirements. The reported consolidated statement of cash flows therefore largely reflects the movement in customer deposits as at each 31 December or 31 March during the period under review, and movements in to and out of assets classes not classified as cash and cash equivalents.

The following table provides a breakdown of net cash generated from operating activities for the periods indicated.

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000 (Unaudited)	
Net cash inflow from operating activities	10,537	320,234	(248,846)	(179,979)	(61,090)
Income tax paid	(218)	(2,111)	(9,583)	-	(6,310)
Payments for interest on lease liabilities	(7)	(20)	(19)	(5)	(18)
Net cash generated from operating activities	10,312	318,103	(258,448)	(179,984)	(67,418)

Net cash generated from operating activities for the three months ended 31 March 2023 was an outflow of £67.4 million compared to an outflow of £180.0 million for the three months ended 31 March 2022. The largest movements being a net decrease in customer deposits of £53.3 million for the three months ended 31 March 2023 compared to a net decrease in customer deposits of £28.5 million for the three months ended 31 March 2022 and net cash outflow into assets classified as debt securities of £57.6 million for the three months ended 31 March 2023 compared to net cash outflow of £126.9 million for the period ended 31 March 2022. Net cash inflows for the three months ended 31 March 2023 were net decrease in loans and advances on demand to banks of £17.7 million, a net decrease in other assets of £9.8 million, as well as the effect of currency exchange rate changes of £20.0 million.

Net cash generated from operating activities for the year ended 31 December 2022 was an outflow of £258.4 million compared to an inflow of £318.1 million for the year ended 31 December 2021. This was largely as a result of the net cash outflow of £332.1 million into assets classified as debt securities during the year ended 31 December 2022, compared to a cash inflow of £86.9 million during the year ended 31 December 2021. It was also impacted by an outflow of £11.3 million into other assets and prepayments and a net decrease in advances by customers of £11.2 million during the period ended 31 December 2022, whereas there was an outflow of £3.8 million into other assets and prepayments and a net increase in advances by customers of £126.0 million during the period ended 31 December 2021.

Net cash generated from operating activities for the year ended 31 December 2021 was an inflow of £318.1 million compared to an inflow of £10.3 million for the year ended 31 December 2020. This was largely as a result of the net cash inflow of £86.9 million out of assets classified as debt securities during the year ended 31 December 2021, compared to a cash outflow of £11.7 million during the year ended 31 December 2020. The net change in advances by customers was an increase of £126.0 million during the year ended 31 December 2021, compared with a decrease of £26.9 million during the period ended 31 December 2020.

Net cash used in investing activities

The following table provides a breakdown of net cash used in investing activities for the periods indicated.

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000 (Unaudited)	
Sale / (purchase) of investments	1,980	(216)	1	-	-
Purchase of property, plant and equipment	(706)	(470)	(346)	(57)	(86)
Purchase of intangible assets	(6,540)	(4,044)	(4,561)	(811)	(934)
Net cash used in investing activities	(5,266)	(4,730)	(4,906)	(868)	(1,020)

Net cash used in investing activities increased by £0.2 million, or 18%, from an outflow of £0.9 million for the three months ended 31 March 2022, to £1.0 million for the three months ended 31 March 2023, which was principally due to purchase of intangible assets for both periods.

Net cash used in investing activities increased by £0.2 million, or 4%, from an outflow of £4.7 million for the year ended 31 December 2021, to an outflow of £4.9 million for the year ended 31 December 2022. Purchase of intangible assets is the most significant component of net cash used in investing activities. This increased from an outflow of £4.0 million for the year ended 31 December 2021 to an outflow of £4.6 million for the year ended 31 December 2022. The Group capitalised certain development costs as intangible assets that are directly attributable to software products developed to support the strategy of the business.

Net cash used in investing activities decreased by £0.5 million, or 10%, from an outflow of £5.3 million for the year ended 31 December 2020, to an outflow of £4.7 million for the year ended 31 December 2021. The decrease in net

cash used in investing activities from the year ended 31 December 2020 to the year ended 31 December 2021 was mainly attributable to the decrease in purchase of intangible assets by £2.5 million, or 38.2%, from an outflow of £6.5 million to an outflow of £4.0 million. This was a result of higher capitalised development costs in 2020 from phasing of spend on projects supporting transformation including API, bulk payments and robotic processing automation. The decrease in purchase of intangible assets was partly offset by the change in sale / (purchase) of investments from an inflow of £2.0 million to an outflow of £0.2 million during the period as a result of the year ended 31 December 2020 benefitting from non-reoccurring profit as a result of an investment sale.

Net cash (outflow) from financing activities

The following table provides a breakdown of net cash flow/ (outflow) from financing activities for the periods indicated.

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000	
	(Unaudited)			(Unaudited)	
Capital injection from issue of shares	-	500	-	-	-
Repayment of principal portion of the lease liabilities	(304)	(232)	(233)	(84)	(177)
Increase/ (decrease) in overdrawn accounts	(70)	-	-	5	-
Net cash inflow/ (outflow) from financing activities	(374)	268	(233)	(79)	(177)

Net cash inflow/ (outflow) from financing activities increased by £0.1 million, or 111%, from an outflow of £0.1 million for the three months ended 31 March 2022, to an outflow of £0.2 million for the three months ended 31 March 2023.

Net cash inflow/ (outflow) from financing activities decreased by £0.5 million, from an inflow of £0.3 million for the year ended 31 December 2021, to an outflow of £0.2 million for the year ended 31 December 2022. The year ended 31 December 2021 included a cash inflow from a capital injection from issue of shares of £0.5 million resulting in a net cash inflow from financing activities for the year. The capital injection from the issue of shares in 2021 related to a one-off issuance of shares by the Company in order to provide funding to one of its subsidiaries. The repayment of principal portion of the lease liability remained broadly consistent at £0.2 million for year ended 31 December 2021 and year ended 31 December 2022.

Net cash inflow/ (outflow) from financing activities was an inflow of £0.3 million for the year ended 31 December 2021, compared to an outflow of £0.4 million for the year ended 31 December 2020. The change in net cash flow/ (outflow) from financing activities from the year ended 31 December 2020 to the year ended 31 December 2021 was mainly attributable to the increase in capital injection from issue of shares by £0.5 million from none to £0.5 million.

Capital Expenditure

The table below sets out the capital expenditure of the Group for the years ended 31 December 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023.

	For the year ended 31 December			For the three months ended 31 March	
	2020	2021	2022	2022	2023
	£ '000			£ '000	
	(Unaudited)			(Unaudited)	
Plant, property, and equipment	(706)	(470)	(346)	(57)	(86)
Purchase of intangible assets	(6,540)	(4,044)	(4,561)	(811)	(934)
Total capital expenditure	(7,246)	(4,514)	(4,907)	(868)	(1,020)
Purchase of intangible assets as a percentage of total income	19%	8%	4%	5%	2%
Total capital expenditure as a percentage of total income	21%	8%	4%	5%	2%

In the year ended 31 December 2020, the Group incurred higher purchase of intangible assets as a percentage of total income compared to other years during the period as a result of investments it made in its technology platform. The Group capitalises certain development costs as intangible assets that are directly attributable to software products developed to support the strategy of the business. Capital expenditure was £7.2 million for the year ended 31 December 2020, of which £6.5 million was in respect of intangible assets and represented 19% of total income. Capital expenditure was £4.5 million for the year ended 31 December 2021, of which £4.0 million was in respect of intangible assets and represented 8% of total income. The Group's capital expenditure was £4.9 million for the year ended 31 December 2022, of which £4.6 million was in respect of intangible assets and represented 4% of total income. The

Group's capital expenditure was £1.0 million for the three months ended 31 March 2023, of which £0.9 million was in respect of intangible assets and represented 2% of total income.

The Group is expecting to continue to invest in its technology, with capital expenditure as a percentage of total income to be approximately 10% over the mid-term. See also, "Risk Factors—Risks Relating to Business and Industry—The Group's 2023 and mid-term targets and the assumptions and judgements underlying these targets may prove inaccurate, and as a result, the Group may not achieve its targeted financial results".

Funding, Liquidity and Capital Resources

As a result of CAB being a UK-regulated bank, it is required to hold sufficient capital and liquidity resources to meet its local regulatory capital and liquidity requirements. The discussion which follows in this "Funding, Liquidity and Capital Resources" section primarily focuses on the funding sources, liquidity and capital resources of CAB, as well as the capital resources of the Group for the periods indicated. For more information about Group level funding sources, liquidity and capital resources please see "Historical Financial Information", including Note 41 of the Consolidated Historical Financial Information. The figures presented do not reflect the impact of the Special dividend declared since 31 March 2023. See "Operating and Financial Review—Recent Developments", Note 44 of the Consolidated Historical Financial Information and Note 22 of the Interim Financial Information for further information.

Many regulated banks have balance sheets characterised by a long dated lending portfolio, funded by customer deposits. However, the Group's balance sheet is materially different from most banks, with the bulk of its balance sheet assets having a contractual maturity of six months or less. These differences are reflected in the Group's funding, liquidity and capital resources as set out below.

Funding

In addition to its capital, the Group's primary funding source is through customer accounts; the Group has no reliance placed on wholesale funding markets. The Group's business model is transaction led, with transaction decisions based on the level, currency and type of funding received and expected to be received from customers, alongside the Group's own capital resources. Funds received from customers within customer accounts are placed into term matching assets to generate investment income.

The Group's funding strategy is to ensure that access to sufficient stable funding sources is maintained for the transaction led model even under stress.

The Group's funding base, in the form of customer accounts, represents demand deposit accounts of corporate and other institutional customers held with CAB. A substantial proportion of customer accounts are current accounts that, although repayable on demand, have historically formed a stable deposit base.

The table below sets for the composition of the Group's customer accounts for the periods indicated.

	As at 31 December			As at 31 March
	2020	2021	2022	2023
		£ '000		£ '000 (Unaudited)
Repayable on demand	424,463	664,749	659,310	660,240
Other customers' accounts with agreed maturity dates or periods of notice by residual maturity repayable:				
3 months or less	548,544	465,680	479,641	528,076
1 year or less but over 3 months	99,196	62,296	169,491	95,519
2 years or less but over 1 year	591	-	-	-
Total	1,072,794	1,192,725	1,308,442	1,283,835

CAB monitors its Net Stable Funding Ratio ("NSFR"), which aims to ensure that banks have an acceptable amount of stable funding to support their assets over a one-year period of extended stress.

The NSFR came into force as a regulatory requirement with effect from 1 January 2022 at a minimum requirement of 100%. The NSFR is expressed as a ratio that must equal or exceed 100%. The ratio relates the bank's available stable funding ("ASF") to its required stable funding ("RSF"). To determine total ASF and RSF amounts, factors reflecting supervisory assumptions are assigned to CAB's sources of funding and to its exposures, with these factors reflecting the liquidity characteristics of each category of instruments. CAB's total ASF is the portion of its capital and liabilities that will remain with the institution for more than one year. The broad characteristics of an institution's funding sources and their assumed degree of stability are the basis for determining ASF. An ASF factor is assigned to the carrying value of each element of funding. ASF factors range from 100% (meaning that the funding is expected

to be still fully available in more than a year) to 0% (meaning that funding from this source is unreliable).

Other than capital, CAB's main sources of stable funding is operational deposits from its non-financial customers and fixed term deposits with a maturity of greater than six months and up to one year. Both these balances are weighted at a 50% ASF factor.

CAB's primary RSF requirements come from Non HQLA Collective Investment Units generating a 50% RSF factor, and loans to banks maturing within 6 months, which generate a 10% RSF factor, and other non banking assets which generate a 100% RSF factor.

CAB's NSFR as at 31 December 2022 was 213% (2021: 211%; 2020: 198%), which is substantially in excess of the 100% minimum regulatory requirement and the Board's risk tolerance limit.

Liquidity

Based on the business model of funding primarily through customer accounts, the Board has set a liquidity risk appetite for CAB which it considers to be appropriate to provide it with the assurance that the relevant liquidity risk drivers have been considered and should the Bank encounter stressed conditions, CAB should be able to meet liabilities beyond the targeted survival period. Liquidity is measured and monitored on a daily basis based on metrics and limits set out within the risk appetite tolerance statements.

CAB's key liquidity buffer is its holding of HQLAs, which primarily consists of its reserve account held with the Bank of England, holdings of Level 1 HQLA bonds and Level 1 HQLA Collective Investment Units, as shown below:

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	£ '000			£ '000
				(Unaudited)
High Quality Liquid Assets (HQLAs)⁽¹⁾				
Bank of England reserve accounts	677,857	676,577	608,285	661,599
Less operational expenses	(2,298)	(2,531)	(4,486)	(4,009)
Other HQLAs –Fixed rate bonds ⁽²⁾	148,499	72,847	407,526	475,184
Collective Investment Units	32,962	336,736	146,634	38,323
Total HQLAs⁽³⁾	857,021	1,083,629	1,157,959	1,171,097
Total HQLA liquidity buffer as a % of funding liabilities	79.8%	90.6%	88.3%	91.2%
Total cash outflows	733,847	914,466	866,369	815,992
Total net cash outflows	618,354	807,708	728,769	684,727
Liquidity coverage ratio (%)⁽⁴⁾	138%	132%	158%	171%

- (1) HQLAs are recorded on the consolidated statement of financial position on a pre-haircut basis (with “haircut” representing the discount applied to the HQLAs in accordance with the PRA Rulebook, which haircut varies by asset type and its duration (“haircut”).
- (2) Other HQLAs - Fixed rate bonds are recorded on the consolidated statement of financial position as investment in debt securities. Most of the Group's investment in debt securities are HQLAs. Investment in debt securities are comprised of debt issued by the US government, sovereign-backed local authorities or public sector entities and multi-lateral development banks. With the exception of debt issued by the US government, all issuers of debt securities held by CAB are AAA rated. All bonds held qualify as level 1 liquidity as per the rules for the calculation of the LCR which are set out in the Liquidity Coverage Requirements within the PRA Rulebook (CRR) Instrument 2021. The yield to maturity (representing the total return anticipated on a bond if the bond is held until its maturation date) of the bonds held generally varies between approximately 1% and 5%, depending on the underlying currency and the duration of issuance. Management's policy is generally to hold all investments in debt securities until maturity. The weighted average yield on investments in debt securities (which includes a small number which are not HQLAs) as at 31 December 2022 was approximately 3%. The weight average life of the bonds was approximately eight months, with the maximum duration being under three years as at 31 December 2022.
- (3) Represents stock of unencumbered high quality liquid assets to cover the total net cash outflows.
- (4) The LCR represents the balance between highly liquid assets (post-haircut) and the expected net cash outflow of CAB in the next 30 days under stressed conditions. The detailed rules for the calculation of the LCR are set out in the Liquidity Coverage Requirements within the PRA Rulebook (CRR) Instrument 2021. CAB have been subject to the LCR since 1 October 2015, as well as PRA rules and supervisory statements on CRD Liquidity. Under the rules, the LCR is calculated as: HQLAs divided by (cash outflows less capped cash inflows). HQLAs, cash outflows and capped cash inflows are defined in the Liquidity Coverage Requirements within the PRA Rulebook (CRR) Instrument 2021.

CAB's deposit balances are predominantly from central bank, commercial bank, governments, and government agency customers. They are truly international and a large proportion of the balances relate to correspondent/commercial banking relationships as part of CAB's offering for payment and FX solutions. The LCR regulatory treatment is to assign a 100% outflow factor to these deposits when they have a residual maturity of 30 days or less. Central Banks and Government customers fund their international operations through their CAB customer accounts with periodic, relatively low volumes of transactions compared to CAB's commercial bank customers. They are assigned a 40% outflow factor when they have a residual maturity of less than 30 days other than those maintained for clearing, custody and cash management purposes (i.e. operational balances) which are weighted at a 25% outflow factor.

CAB's LCR as at 31 December 2022 was 158% (2021:132%; 2020: 138%) which is significantly in excess of the minimum regulatory requirements of 100% and the Board's risk tolerance limit. For additional information on the composition of liquid assets, see Note 38 of the Consolidated Historical Financial Information.

Capital Position

The Group is regulated on a consolidated basis for capital requirements, and CAB is regulated on a stand-alone basis. The Group's capital plans are developed with the objective of maintaining capital that is adequate in quantity and quality to support the Group's risk profile, regulatory and business needs. As a result, the Group holds a diversified capital base that provides strong loss absorbing capacity and optimised returns. Capital forecasts are continually monitored against relevant internal target capital ratios to ensure they remain appropriate and consider risks to the plan including possible future regulatory changes. The Group and CAB have complied with all externally imposed capital requirements and internal and external stress testing requirements. The Group manages capital in accordance with prudential rules issued by the PRA and FCA. In assessing the adequacy of its capital resources, the Group considers its risk appetite, the material risks to which it is exposed and the appropriate strategies required to manage those risks. See "Risk Management" for additional information about the Group's key capital ratios and Note 41 of the Consolidated Historical Financial Information.

The table below presents CAB's key capital regulatory requirements for the periods indicated.

	As at 31 December			As at 31 March
	2020	2021	2022	2023
				(Unaudited)
Total Capital Ratio Requirement ⁽¹⁾	11.99%	11.99%	12.37%	12.37%
Overall Capital Ratio Requirement ⁽²⁾⁽³⁾	14.50%	14.49%	15.03%	14.95%

(1) Represents the aggregate of the Pillar 1 and Pillar 2A regulatory requirements.

(2) Represents the aggregate of the Total Capital Ratio Requirement and the combined buffer regulatory requirement.

(3) The Group also sets and monitors early warning indicators, which are above its regulatory thresholds. As at 31 December 2022 its early warning indicator for its overall capital ratio was set at £7.5 million above its regulatory and board minimum.

The table below presents CAB's key capital ratios for the periods indicated.

	As at 31 December			As at 31 March
	2020	2021	2022	2023
		£		£
				(Unaudited)
Total Risk Exposure (RWAs)	£181m	£187m	£269m	£277m
CET1 ratio	24.9%	30.3%	33.4%	33.6%
Total Capital Ratio	24.9%	30.3%	33.4%	33.6%
Leverage ratio	4.4%	5.0%	6.9%	7%

CAB's capital adequacy risk appetite is to ensure that the CET1 ratio exceeds the total capital ratio requirement ("TCR") at all times, even during a severe but plausible stress, and exceeds the overall capital requirement ("OCR") during non-stressed periods. Capital adequacy is subject to daily monitoring against risk appetite metrics set by the Board.

Capital ratios are calculated as regulatory capital divided by risk weighted assets. The Pillar 1 calculations are based on the Standardised Approach for Credit Risk and on the Basic Indicator Approach for Operational Risk.

The Bank's regulatory capital consists entirely of CET1 capital, which is comprised of one class of issued ordinary share capital (issued at par) and accumulated reserves, subject to deductions for intangible assets and deferred tax assets (net of deferred tax liabilities).

The table below shows the CET1 for CAB for the periods indicated.

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	£ '000			£ '000 (Unaudited)
Tier 1 capital-CET1⁽¹⁾				
Ordinary share capital	41,200	41,200	41,200	41,200
Retained earnings	25,281	33,693	68,728	68,728
Sub total	66,481	74,893	109,928	109,928
Less Deductions:				
Intangible assets	(18,841)	(18,298)	(17,523)	(17,049)
Net deferred tax asset	-	-	-	-
Free deliveries which can alternatively be subject to a 1250% risk weight	(2,429)	-	(2,534)	-
Sub total	(21,270)	(18,298)	(20,057)	(17,049)
Total Tier 1 Capital⁽²⁾	45,211	56,595	89,871	92,879

(1) The highest quality of regulatory capital, absorbs losses immediately when they occur

(2) Additional tier 1 capital that also provides loss absorption, but does not meet all the criteria for CET1

Risk-weighted assets are calculated in accordance with the PRA Rulebook (CRR) 2021. CAB's assets are weighted according to risk to determine the minimum capital requirements. CAB uses the standardised approach to calculate the requirement for credit risk, market risk and operational risk.

The table below shows CAB's RWAs for the periods indicated.

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	£ '000			£ '000 (Unaudited)
Risk Weighted Assets				
Credit risk ⁽¹⁾	117,480	106,588	136,308	143,689
Counterparty Risk (Derivatives)	2,358	1,720	4,207	4,527
Total Credit Risk Weighted Assets	119,838	108,308	140,515	148,216
Settlement Risk and Credit Value Adjustment (CVA)	1,052	1,047	975	1,181
Market Risk	7,018	5,110	5,240	4,579
Operational risk	53,340	72,390	122,529	122,529
Total RWAs⁽²⁾	181,248	186,856	269,258	276,505

(1) CAB has set limits for its credit risks. The Board approved portfolio level limit for clean (non-fully cash collateralised) trade finance (excluding any AAA exposure) is currently £60 million. The single counterparty exposure limit for clean trade finance is £9 million. The total overdraft exposure is £20 million.

(2) Assets or off-balance-sheet exposures, weighted according to risk

CAB's capital, excluding its surplus capital, as at 31 December 2022 was £40.5 million. This capital was deployed to mitigate the following risks: 46% was deployed to mitigate operational risk that arises as part of CAB's day-to-day business activities, 20% was deployed to mitigate credit risk with respect to trade, finance and overdrafts, 12% was deployed to mitigate credit risk in respect of local bank accounts, 2% of capital was deployed to mitigate market risk (reflecting risk primarily associated with CAB's FX positions taken as part of the CAB's trading activity), and 20% was deployed to mitigate credit risk with respect to other activities (primarily treasury activities and other on balance sheet assets).

Leverage Ratio

CRD requires firms to calculate a non-risk based leverage ratio to supplement risk-based capital requirements. The leverage ratio measures the relationship between the Tier 1 capital resources of the organisation and its total assets. The purpose of monitoring and managing this metric is to enable regulators to constrain the build-up of excessive

leverage. It is calculated as Tier 1 capital divided by total on and off-balance sheet assets adjusted for deductions.

The minimum requirement for the leverage ratio is 3.25%. While the leverage ratio is not a strict regulatory requirement for CAB (on the basis CAB does not exceed any of the financial thresholds in Rule 1.1 of the leverage ratio of the PRA Rulebook, including the threshold of deposits above £50 billion), the PRA nonetheless expects all banks to actively monitor this metric and it is a part of CAB's risk management framework.

The calculation of the Leverage Ratio in accordance with the regulatory requirements is as set out in the tables below for the period indicated.

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	£ '000			£ '000 (Unaudited)
Leverage Exposure				
Balance Sheet Assets	1,170,022	1,311,971	1,482,442	1,474,022
Adjustment for Off Balance Sheet Assets	12,578	11,370	24,990	25,154
Deductions	(147,114)	(179,161)	(209,391)	(164,109)
Sub Total	1,035,486	1,144,180	1,298,041	1,335,068
Capital ⁽¹⁾	45,211	56,906	89,871	92,879
Total Leverage Ratio⁽²⁾	4.4%	5.0%	6.9%	7%

(1) The Group's regulatory capital consists solely of Common Equity Tier 1 (CET 1) capital.

(2) Tier 1 Capital divided by the total on and off-balance sheet assets adjusted for deductions.

Off-Balance Sheet Arrangements and Financial Commitments

The Group provides financial guarantees to multiple counterparties. The given guarantee covers the time until maturity of underlying instrument. The Group also provides letter of credit confirmations/bill acceptances.

The table below sets forth the financial guarantee contracts and letter of credit confirmations/bill acceptances, which the Group has granted to customers for the periods indicated.

	As at 31 December		
	2020	2021	2022
	£ '000		
Financial guarantee contracts	2,225	2,194	592
Letter of credit confirmations/ bill acceptances	69,900	54,480	50,065

The amount or timing of any outflow associated with the products above are uncertain as such outflows would typically only occur if the relevant counterparty does not carry out its obligations. Cash collateral of £56.8 million as at 31 December 2022 (2021: £51.6 million, 2020: £42.5 million) was held by the Group in respect of the assets underlying financial guarantees and letters of credit noted above. These are not restricted cash and are available for use by the Group. See Note 25 of the Consolidated Historical Financial Information for more information.

Disclosure about Market Risk

For further disclosure about market risk, see "Part 8. Risk Management—Market Risk" and Notes 39, 40, 41, 42 and 43 of the Consolidated Historical Financial Information for more information.

Significant and Critical Accounting Policies, Judgements, Estimates and Assumptions

In preparing its financial statements, the Group makes judgements, estimates and assumptions which affect the application of policies and reported amounts within the current and future financial periods. Actual results may differ from these estimates. Estimates and judgements are regularly reviewed based on past experience, expectations of future events and other factors. The key areas where estimates and judgements are made includes determining what constitutes a significant increase in credit risk of financial assets and the calculating of loss allowance. For a discussion of the Group's significant and critical accounting policies, see Note 3 of the Consolidated Historical Financial Information and Note 2 of the Interim Financial Information for more information.

RISK MANAGEMENT

The following should be read in conjunction with the other information regarding the Group in this document, including "Risk Factors", "Operating and Financial Review" and "Historical Financial Information". Unless otherwise stated, the financial information relating to the Group set out in this section has been extracted without material adjustment from the Financial Information in "Historical Financial Information" of this document.

The Group recognises that risks are associated with achieving its strategy and business objectives. Managing these risks is an essential part of doing business. To manage its risks appropriately, the Board has adopted a systematic approach, articulated as the Group's Enterprise Risk Management Framework ("ERMF") which is described in more detail in the remainder of this section.

Group Enterprise Risk Management Framework

The ERMF sets out how the Group manages risk on a Group-wide basis and enables the Group to identify and manage the material risks to which it is exposed in a consistent, efficient, and effective manner. It aligns to, and supports, the strategic and commercial objectives approved by the Board, ensures legal and regulatory requirements are met and reinforces the effective management of risks. The ERMF assists in the maintenance of the Group's risk profile within parameters of its risk appetite, facilitates the effective escalation of material risk issues through ongoing and robust oversight and, where the Group's risk profile exceeds its risk appetite, ensures appropriate action is taken to bring it back within tolerance.

The following diagram outlines the key components of the Group's risk framework.



Ownership and Governance

The ERMF operates as a three-tier risk governance framework, generally known as the three lines of defence model, which distinguishes between risk management and oversight. The approach seeks to provide clear and concise separation of duties, roles, and responsibilities.

The Board has ultimate responsibility for risk oversight and for determining the risk appetite limits within which the Group must operate. It delegates day to day responsibility for risk management and control activities to an executive committee with oversight from the Risk Committee.



The Board has ultimate responsibility for the establishment and oversight of the Group's risk appetite statements and tolerance limits, thereby defining the maximum level of risk the Group is prepared to accept in the delivery of its business objectives. At least once per calendar year, the Board is required to review and approve these risk appetite statements and tolerance limits as well as corresponding changes or updates.

Changes to risk appetite statements and tolerance limits are typically submitted to the Risk Committee for initial review and challenge ahead of submission to the Board. The Risk Committee also periodically receives risk reporting of the Group's performance against risk appetite and provides Board level challenge, as appropriate. The approved aggregate overnight limit for the Risk Committee is £12 million.

The Executive Risk Committee, which is composed of members of the Company's management, and its sub-committees make recommendations to the Board on the respective risk appetite statements and tolerance limits as well as managing, monitoring, and reporting risk to the Risk Committee and Board. The Executive Risk Committee manages compliance and regulatory risk and also provides business-wide risk oversight; additionally, it approves new products and considers escalations as needed from its four sub-committees:

Sub-Committee	Risk Type Covered
Asset-Liabilities Sub-Committee	Capital Adequacy, Liquidity, Funding and Market
Credit Risk Sub-Committee	Credit
Operational Risk Sub-Committee	Operational (excluding People Risk)
Financial Crime Risk Sub-Committee	Financial Crime

Risk Appetite

The Group's risk appetite defines the level and type of risk that the Group is prepared to accept to achieve its strategic objectives and business plan. This assessment, aligned to the enterprise risk taxonomy, is supported, where appropriate, by a suite of quantitative metrics to help monitor performance against risk appetite.

The Group supplements its risk appetite statements and tolerance limits with specific risk management policies, which set out:

- a concise summary of how risks should be managed i.e., identified, assessed, controlled/mitigated, monitored and reported;
- minimum standards and high-level control requirements, i.e., activities which must be adhered to;
- protocols on expected behaviours, a course of action to take or boundaries that employees work within or to;
- the roles and responsibilities for key tasks relating to the management and oversight of the respective risk which the risk management policy relates to; and
- any exclusions in respect of permissible counterparties, transactions or geographies, i.e., where the Group is not willing to operate.

Financial Risks

Capital Adequacy Risk

As a PRA-regulated firm, the Group is subject to the CRR, which requires due consideration for the suitable level of capital resources required by the Group's business, on both a Pillar 1 and Pillar 2 basis. The Group is thereby exposed to capital adequacy risks as part of its ongoing business operations.

The Board approves capital adequacy risk appetite statements and tolerance limits for the Group and defines the minimum amount and type of capital that the Group is prepared to hold. These levels are informed by the current regulatory capital requirements and the outputs of the ICAAP. The process is undertaken at least once per calendar year, or more frequently if required, to reflect changing stakeholder expectations, business activities and economic and/or market conditions.

The Board approved tolerance limit is based on the higher of the internal view of the level of capital required by the Group, as per the ICAAP, and the regulatory assessment of the Group's overall capital requirements as per the PRA Rulebook (CRR) Instrument 2021.

Key Capital Ratios

The table below presents the Group's key capital ratios and the CET1 ratio of CAB for the period indicated. See "Operating and Financial Review—Funding, Liquidity and Capital Resources" for a discussion of CAB's capital resources and Note 41 of the Consolidated Historical Financial Information for more information about the Group's capital resources. The key capital ratios below do not reflect the impact of the Special dividend declared since 31 March 2023. See "Operating and Financial Review—Recent Developments", Note 44 of the Consolidated Historical Financial Information and Note 22 of the Interim Financial Information for further information.

	As at 31 December 2022	Risk tolerance limit ⁽⁹⁾
CET1 ratio of CAB ⁽¹⁾	33.4%	<15.0%
CET1 ratio of the Group ⁽²⁾⁽³⁾⁽⁴⁾	29.9%	<14.9%
Total RWAs of the Group ⁽³⁾⁽⁵⁾⁽⁶⁾	£271.7 million	N/A
Leverage ratio of the Group ⁽³⁾⁽⁷⁾⁽⁸⁾	6.3%	N/A

(1) For a definition of and the components that comprise CAB's CET1 ratio, see "Operating and Financial Review—Funding, Liquidity and Capital Resources".

(2) For a definition of and the components that comprise the Group's CET1 ratio, see "Operating and Financial Review—Funding, Liquidity and Capital Resources".

(3) These figures represent the Group figures, which were calculated on the basis of preparation set out in Note 2 of the Consolidated Historical Financial Information (which excludes CAIM), a subsidiary excluded from the Group in this document. It should be noted that historical capital figures reported to the PRA by the Company were done so on an actual basis and therefore reflected CAIM's status as a constituent part of the Group.

(4) Total CET1 ratio of the Group as at 31 December 2020 and 2021 was 21.1% and 26.2%, respectively.

(5) For a definition of and the components that comprise the Group's RWAs, see Note 41 of the Consolidated Historical Financial Information

(6) Total RWAs of the Group as at 31 December 2020 and 2021 were £193.6 million and £196.7 million, respectively.

(7) For a definition of and the components that comprise the leverage ratio, see Note 41 of the Consolidated Historical Financial Information.

(8) The leverage ratio for the Group as at 31 December 2020 and 2021 was 3.9% and 4.6%, respectively.

(9) The tolerance limit represents the limit for the relevant metric set by the Board as at 31 December 2022, which takes into account both the regulatory limits and the Board's assessments of the appropriate level, taking into account its risk tolerance. While the Group tracks its leverage ratio against the regulatory guidance of 3.25%, it is a non-Board level risk metric. The Group also sets and monitors early warning indicators, which are above its regulatory thresholds, and above the Board's risk tolerance limit. These limits are used to help the Board monitor and identify any potential issue and to take corrective action.

Liquidity and Funding Risk

Liquidity risk is defined as the risk that the Group cannot meet its financial obligations in a timely manner as they fall due. Funding risk is defined as the risk that the Group cannot maintain access to a sufficient stable funding base to maintain its liquidity.

The Group acknowledges and accepts that liquidity and funding risk is inherent within its business operations, principally relating to funding sources and intraday flows. A large quantity of the deposits placed with the Group have a short contractual maturities, often to support FX and payments transaction settlement, with the bulk of additional deposits placed on a less than three month basis. In managing these risks, the Group maintains a large portfolio of

high quality liquid assets ("HQLA") to enable it to meet all reasonably foreseeable deposit outflow scenarios.

The table below presents CAB's key liquidity and funding ratios for the period indicated. See "Operating and Financial Review—Funding, Liquidity and Capital Resources" for more information. The key liquidity and funding ratios below do not reflect the impact of the Special dividend declared since 31 March 2023. See "Operating and Financial Review—Recent Developments", Note 44 of the Consolidated Historical Financial Information for further information.

	As at 31 December 2022	Risk tolerance limit ⁽³⁾
Liquidity coverage ratio: Pillar 1 (LCR) ⁽¹⁾	158%	<105%
Net stable funding requirement (NSFR) ⁽²⁾	213%	105% or £10m available stable funding surplus, if lower

(1) For a definition of the LCR, see "Operating and Financial Review—Funding, Liquidity and Capital Resources".

(2) For a definition of the NSFR, see "Operating and Financial Review—Funding, Liquidity and Capital Resources".

(3) The tolerance limit represents the limit for the relevant metric set by the Board as at 31 December 2022, which takes into account both the regulatory limits and the Board's assessments of the appropriate level taking into account its risk tolerance.

Market Risk

The Group is exposed to market risk, i.e. the risk of losses from adverse value movements in market prices, specifically in respect of FX/currencies and interest rate markets. The Group splits its market risk appetite framework to articulate each of these respective market risk sub-categories.

- **FX risk:** As part of its day-to-day operations, the Group holds various currency balances in its own accounts with its Local Bank Account Network and in multi-currency money market funds, or in open positions within the banking book (i.e., resulting from spot FX trades in transit or FX forward positions held for treasury purposes). Currency movements can result in changes to the value (in GBP) of these positions; this market risk is mitigated by the Group hedging the vast majority of its balance sheet FX exposures, with unhedged FX position limits set on a net basis for the banking book in aggregate, and on a currency specific basis. These FX risk tolerance limits are measured on an intra-day and end of day basis, to monitor their implementation.
- **Interest Rate Risk in the Banking Book ("IRRB"):** IRRB is the risk to the Group's earnings or capital arising from movements in interest rates that affect the value of the Group's assets and liabilities. The Group does not operate a trading book (i.e. it does not trade for its own account); therefore, all activities are captured within the banking book (i.e. small timing mismatches for assets and liabilities across repricing buckets). While the Group's treasury approach is to attempt to match, to the extent it is operationally effective to do so, the interest rate profile of its assets and liabilities, there is generally a small degree of interest rate mismatch, albeit although this is tightly managed and capped according to the Group's appetite for IRRB which is assessed with consideration given to both earnings sensitivity and economic impact on equity.

Credit Risk

Credit risk is defined as the risk of financial loss arising from a borrower or counterparty's failure or inability to meet its financial obligations to the Group in accordance with agreed terms. Many regulated banks experience credit risk in relation to a long dated lending portfolio; however the Group's balance sheet is materially different from most banks, with the bulk of its balance sheet having a contractual maturity of six months or less. As a consequence the primary sources of credit risk to the Group are: local bank accounts, trade financing, inter-bank lending, and treasury investment activities, as well as unsettled spot foreign exchange transactions.

The Group's global markets treasury manages a portfolio of treasury assets which comprises a range of fixed rate bonds, liquid bond funds, placements, and inter-bank lending. Credit limits for these products are extended to highly rated sovereigns and counterparties. Currently, over 90% of exposures of this nature are to counterparties classified as credit quality step 1 or 2 (i.e. very highly rated counterparties that are rated A- or above).

As a provider of wholesale FX and cross-border payment services, short-term credit limits for FX daily settlement and local bank accounts are put in place to support this business model. Credit risk is often mitigated through pre-funding or delivery versus payment ("DVP") structures.

The Group is exposed to settlement risk, up to pre-agreed counterparty limits, through FX transactions on an unsecured basis; these credit facilities are offered at the Group's discretion, and the Group may require banks to transact on a DVP basis should there be concerns about underlying credit quality and timely delivery.

The Group undertakes customer transactions selectively, with approved counterparties and seeking to minimise individual customer and market concentrations in its business where possible (within the constraints of the type and geographic nature of the business). Where concentrations do exist, they are managed through a comprehensive set of portfolio and counterparty level limits set in the Group's credit risk policy. The Group's Credit Risk Sub-Committee is responsible for allocating credit limits as appropriate, according to business objectives, risk profile, and the Board approved risk appetite and in accordance with the Group's credit risk policy.

Non-Financial Risks

Operational Risk

Operational risk is defined as the risk of loss or other non-financial impact, resulting from inadequate or failed internal processes, people, and systems, or from external events. It arises from day-to-day operations and is relevant to every aspect of the Group's business. These include risks arising from failing to properly manage outsourced and other third party arrangements and cyber security.

The Group is exposed to operational risk in the execution of its core business activities and seeks to manage this exposure in a cost-effective manner. Operational risk incidents can have a major impact on the Group's operations, which in turn can lead to customer dissatisfaction or harm, financial implications, and the potential for reputational and increased regulatory scrutiny if a theme or systemic failure is identified.

The Group uses various tools to identify, assess, mitigate, manage and report operational risk, and relies on a centralised risk system to record operational incidents, loss data, risk and control self assessments etc., in a consistent way that is aligned to the ERMF.

The Group assess its primary sources of operational risk as:

- **Executive, Transaction Processing and Delivery Risk:** Executing, processing and delivery on transactions, including reporting obligations to regulators in various jurisdictions, is a core activity of the Group. Any failed transactions, reporting or payment errors, or regulatory reporting problems could have serious financial, customer relations, regulatory, and reputational impacts for the Group, especially where a theme or a systemic failure is identified. The Group accepts that some margin of error is expected (given the complexity inherent to its transactions) but aims to maintain a control environment robust enough to ensure early identification and prevention of execution, processing and delivery risk crystallising.
- **Data Management Risk:** The Group acquires, transmits, retains, and uses large volumes of personally identifiable and payment data. As a regulated entity, the Group is subject to various regulations and legislation, including data protection and industry standards. See "*Regulatory Overview—Regulation in the United Kingdom—General Data Protection Regulation*".

The Group has invested in establishing appropriate controls to govern, source, manage and protect data from loss or misuse. Given the potential reputational and regulatory impact of having poor controls over the management and integrity of its data, the Group's appetite reflects its aim of reducing this risk as much as possible through appropriate data architecture and governance.

- **Technology, Information Security and Cyber Risk:** The Group is reliant on internal and external information systems to deliver its strategic priorities, with a focus on using technology and digital enhancements to deliver payment capabilities and improve customer experience and outcomes.

The Group aims to reduce its technology and information security risk (including cyber security risk) as much as possible through the application of sound change management practices to minimise the impact of technology failures, adoption of industry good practice and robust vulnerability assessment and management processes.

- **Outsourcing, Vendor and Third Party Supplier Risk:** Disruption to the Group's core business activities provided by any failures or errors on the part of third party service providers can have an impact on its operating environment potentially leading to customer dissatisfaction or harm with the potential for financial, regulatory and reputational damage if the incident or failure is significant and not addressed in a timely manner.

The Group's outsourcing, vendor and third party risk management policy sets out the requirements for assessing, managing and overseeing supplier relationships, ensuring they receive a level of scrutiny that reflects the potential risk of utilising third party suppliers for elements of the Group's core business activities.

- **People Risk:** The Group is committed to developing a diverse and inclusive environment for all employees whatever their role in the organisation, and therefore has in place focused recruitment, talent and learning programmes in place, supported by robust human resources policies and procedures which comply with all relevant rules, regulations, and guidelines. While the Group has taken steps to ensure that the working environment created supports career development and wellbeing for all employees, it is acknowledged that during

the course of the Group's business activities a degree of employee turnover is expected.

Financial Crime Risk

Financial crime risk is presented by criminal activity in the form of money laundering, terrorist financing, bribery and corruption, sanctions, and tax evasion.

The Group is exposed to financial crime risk in its everyday dealings with customers from acts such as money laundering and sanctions violations, which will be detrimental to the Group, both reputationally and financially.

Financial crime risk can be influenced by the type of customers, geographies, products, transactions, and delivery channels. The parameters and control requirements for these are set out in the Group's financial crime risk policy.

The Group has no appetite to operate in an environment where systems and controls do not enable the identification, assessment, monitoring, management, and mitigation of financial crime risk, or for employees to fail to have an appropriate understanding of financial crime risks and their responsibilities to mitigate them. The Group also operates with zero tolerance for a breach of relevant financial crime regulations and laws, systematically or repeatedly.

Regulatory Compliance Risk

Regulatory and compliance risk is defined as risk arising from non-compliance with laws and regulations governing financial services institutions in the markets it operates in. This could lead to legal or regulatory sanctions, material financial loss or reputational damage.

The Group's growth strategy is expected to increase its global footprint, which would result in its operations being subject to the supervision of multiple regulators, and therefore would introduce a wider set of regulatory requirements. The Group must therefore carefully monitor its growing regulatory exposure, and manage any divergence in regulatory impact across jurisdictions, to maintain a level of consistency across the Group. Non-compliance with complex regulatory requirements could lead to increased regulatory scrutiny, and impact the Group's customers, and has the potential for financial impact, including potentially significant regulatory fines.

Conduct Risk

Conduct risk is defined as the risk that the conduct of the Group and its employees towards customers (or in the markets in which it operates) leads to unfair or inappropriate customer outcomes and results in reputational damage or financial loss. The risk is that customers can suffer detriment due to actions, processes or products which originate from within the Group. Conduct risk can arise through the design of products that do not meet customer needs, mishandling complaints in a way that results in inappropriate behaviour towards customers, inappropriate sales processes and otherwise exhibiting conduct that does not meet market or regulatory standards.

The Group seeks to develop and maintain long-term relationships with its customers, based on openness, trust and fairness in everything it does. The Group has no appetite for reputational risk arising from the way in which it or its employees behaves.

A suite of policies addressing compliance and conduct risks set appropriate standards, supported by on-going training. In addition, all employees are subject to the Group's code of conduct. Regular monitoring and targeted assurance are carried out as appropriate.

Business Risk

Business risk is defined as a set of risks to a firm arising from changes in its business, including:

- the acute risk to earnings posed by falling or volatile income;
- the broader risk of the Group's business model or strategy proving inappropriate due to macroeconomics, geopolitical, industry, regulatory or other factors; or
- its remuneration policy.

The Group is exposed to business risk in relation to changes in the external market environment / or respective participants that could correspondingly impact financial performance as well as via its own strategic direction and idiosyncratic decisions. See "*Risk Factors-Risks Related to Business and Industry*".

HISTORICAL FINANCIAL INFORMATION

(A) Accountant's Report in Respect of Consolidated Historical Financial Information



The Directors
CAB Payments Holdings Limited
Quadrant House
The Quadrant
Sutton
SM2 5AS

8 June 2023

Dear Directors

We report on the financial information of CAB Payments Holdings Limited and its subsidiaries (excluding those set out in Note 2 of the Consolidated Historical Financial Information) (the "**Group**") for the years ended 31 December 2020, 2021, and 2022 (the "**Consolidated Historical Financial Information**").

This report is required by item 18.3.1 of Annex 1 to the UK version of Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Commission, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (the "**Prospectus Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

Opinion on financial information

In our opinion, the Consolidated Historical Financial Information gives, for the purpose of the registration document dated 8 June 2023 (the "**Registration Document**"), a true and fair view of the state of affairs of the Group as at 31 December 2020, 2021 and 2022 and of its consolidated profits, consolidated cash flows, consolidated statements of comprehensive income and consolidated changes in equity for the three periods then ended in accordance with the basis of preparation as set out in Note 2 of the Consolidated Historical Financial Information.

Responsibilities

The directors of the Company (the "**Directors**") are responsible for preparing the Consolidated Historical Financial Information in accordance with the basis of preparation as set out in Note 2 of the Consolidated Historical Financial Information.

It is our responsibility to form an opinion on the Consolidated Historical Financial Information, and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 1.2 of Annex 1 to the Prospectus Regulation to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the Prospectus Regulation, consenting to its inclusion in the Registration Document.

Basis of preparation

The Historical Financial Information has been prepared for inclusion in the Registration Document, on the basis of the accounting policies set out in Note 2 of the Consolidated Historical Financial Information.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council (the "**FRC**") in the United Kingdom. We are independent of the Group in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Consolidated Historical Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Consolidated Historical Financial Information and whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Consolidated Historical Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions relating to going concern

We have not identified any material uncertainty related to events or conditions that, individually or collectively, may cast doubt on the ability of the Group to continue as a going concern for a period of at least 12 months from the date of this Registration Document. We therefore conclude that the Directors' use of the going concern basis of accounting in the preparation of the Consolidated Historical Financial Information is appropriate.

Declaration

For the purposes of item 1.2 of Annex 1 to the Prospectus Regulation, we are responsible for this report as part of this Registration Document and we declare that, to the best of our knowledge, the information contained in this report, for which we are responsible, is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Registration Document in compliance with item 1.2 of Annex 1 to the Prospectus Regulation.

Yours faithfully

/s/ Mazars LLP

Mazars LLP

(B) Consolidated Financial Information

Consolidated statement of comprehensive income

For the years ended 31 December 2020, 2021 & 2022

	Note	2020	2021	2022
		£'000	£'000	£'000
Continuing operations				
Interest income				
• interest income calculated using Effective Interest Rate (EIR)	5	6,936	2,706	17,108
• other interest and similar income	5	6	2	63
Interest expense	5	(5,180)	(1,410)	(10,398)
Net interest income		1,762	1,298	6,773
Net Gain on financial assets mandatorily held at fair value through comprehensive income		2,064	888	1,009
Gains on Money Market Funds	5	335	3	3,584
Fees and commission income	6	10,955	11,825	15,797
Net foreign exchange gain	7	18,777	39,135	82,756
Revenue, net of interest expense		33,893	53,149	109,919
Other operating income/(loss)	8	374	347	(484)
Total income, net of interest expense	4	34,267	53,496	109,435
Operating expenses				
• Recurring	9	(36,505)	(44,134)	(60,270)
• Non-recurring	9	-	-	(5,332)
Impairment (loss)/reversal on financial asset at amortised cost		(167)	150	(342)
(Loss)/ Profit before taxation		(2,405)	9,512	43,491
Tax charge	10	(387)	(1,899)	(10,456)
(Loss)/ Profit for the year from continuing operations		(2,792)	7,613	33,035
Other comprehensive income for the year:				
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange gains/ (losses) on translation of foreign operations	30	(29)	(153)	119
Items that will not be reclassified subsequently to profit or loss:				
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income	29	17	12	88
Income tax relating to items	29	(4)	(2)	(17)
Other comprehensive income / (loss) for the year net of tax		(15)	(143)	190
Total comprehensive income for the year		(2,807)	7,470	33,225
Total Profit or (Loss) attributable to:				
• Owners of the parent	31	(2,614)	7,143	30,696
• Non-controlling interests	31	(178)	470	2,339
Total		(2,792)	7,613	33,035
Total comprehensive income attributable to:				
• Owners of the parent	31	(2,628)	7,010	30,873
• Non-controlling interests	31	(179)	460	2,352
Total		(2,807)	7,470	33,225
Earnings per share for the profit attributable to owners of the parent (expressed in £ per share):				
From Continuing operations:				
• Basic and Diluted	27	(0.04)	0.11	0.45

Consolidated statement of financial position

as at 31 December

	Note	2020	2021	2022
		£'000	£'000	£'000
Assets				
Cash and balances at central banks	11	677,864	676,492	607,358
Money market funds	12	52,738	336,737	209,486
Loans and advances on demand to banks	13	74,565	106,880	90,209
Other loans and advances to banks	13	151,852	74,430	93,164
Loans and advances to customers	13	-	-	4,748
Derivative financial assets	14	2,305	1,641	6,590
Unsettled transactions	18	18,273	10,767	12,960
Accrued income	17	893	1,344	856
Investment in debt securities	15	162,369	73,248	414,061
Investment in equity securities	16	154	382	488
Other assets	18	4,403	8,203	19,537
Property, plant and equipment	19	2,514	2,057	1,579
Right of use assets	20	1,065	761	1,134
Intangible assets	21	22,733	22,663	22,624
Total assets		1,171,728	1,315,605	1,484,794
Liabilities				
Customer accounts	23	1,072,794	1,192,725	1,307,698
Derivative financial liabilities	14	13,511	7,669	4,565
Unsettled transactions	24	2,094	18,338	25,782
Other liabilities	24	4,116	7,233	11,518
Provisions	25	137	32	79
Lease liabilities	20	1,051	819	1,281
Deferred tax liability	22	824	402	316
Accruals	24	6,040	8,659	19,364
Total liabilities		1,100,567	1,235,877	1,370,603
Equity				
Called up share capital	26	67,510	68,010	68,010
Retained earnings	28	1,138	8,870	40,299
Investment revaluation reserve	29	21	30	97
Other Reserves		(2,170)	(2,270)	(1,870)
Foreign currency translation reserve	30	1	(142)	(31)
Equity attributable to owners of the parent		66,500	74,498	106,505
Non-controlling interests	31	4,661	5,230	7,686
Shareholders' funds		71,161	79,728	114,191
Total equity and liabilities		1,171,728	1,315,605	1,484,794

Consolidated statement of changes in equity

For the year ended 31 December 2020, 2021 and 2022

	Attributable To Equity Holders of The Company					Total	Non-Controlling Interest (NCI)	Total Shareholders' Funds
	Share Capital	Retained Earnings	Other Reserves	Investment revaluation reserve	Foreign currency translation reserve			
	£'000	£'000	£'000	£'000	£'000			
At 1 January 2020	67,510	3,929	(2,570)	8	28	68,905	4,482	73,387
Loss for the year (note 28)	-	(2,614)	-	-	-	(2,614)	(178)	(2,792)
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income (note 29)	-	-	-	16	-	16	1	17
Income tax relating to items that will not be reclassified subsequently to profit or loss (note 29)	-	-	-	(3)	-	(3)	-	(3)
Foreign exchange gains / (losses) on translation of foreign operations (note 30)	-	-	-	-	(27)	(27)	(2)	(29)
Other comprehensive income/ (loss)	-	-	-	13	(27)	(14)	(1)	(15)
Total comprehensive income/ (loss)		(2,614)	-	13	(27)	(2,628)	(179)	(2,807)
Transactions with owners in their capacity as owners:								
Share based payment reserve (note 32)	-	505	-	-	-	505	-	505
Other movements in retained earnings	-	(682)	400	-	-	(282)	358	77
Total	-	(177)	400	-	-	(223)	358	581
At 31 December 2020	67,510	1,138	(2,170)	21	1	66,500	4,661	71,161

	Attributable To Equity Holders of The Company							
	Share Capital	Retained Earnings	Other Reserves	Investment revaluation reserve	Foreign currency translation reserve	Total	Non-Controlling Interest (NCI)	Total Shareholders' Funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	67,510	1,138	(2,170)	21	1	66,500	4,661	71,761
Profit for the year (note 28)	-	7,143	-	-	-	7,143	470	7,613
Other comprehensive income								
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income (note 29)	-	-	-	11	-	11	1	12
Income tax relating to items that will not be reclassified subsequently to profit or loss (note 29)	-	-	-	(2)	-	(2)	-	(2)
Foreign exchange gains / (losses) on translation of foreign operations (note 30)	-	-	-	-	(143)	(143)	(10)	(153)
Other comprehensive income/ (loss)	-	-	-	9	(143)	(134)	(9)	(143)
Total comprehensive income/ (loss)	-	7,143	-	9	(143)	7,009	461	7,470
Transactions with owners in their capacity as owners:								
Share issuance (note 26)	500	-	-	-	-	500	-	500
Share based payment reserve (note 32)	-	460	-	-	-	460	-	460
Other movements in reserves	-	-	(500)	-	-	(500)	-	(500)
Other movements in retained earnings	-	129	400	-	-	529	108	637
Total	500	589	(100)	-	-	989	108	1,097
At 31 December 2021	68,010	8,870	(2,270)	30	(142)	74,498	5,230	79,728
At 1 January 2022	68,010	8,870	(2,270)	30	(142)	74,498	5,230	79,728
Profit for the year (note 28)	-	30,696	-	-	-	30,696	2,339	33,035
Other comprehensive income								
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income (note 29)	-	-	-	84	-	84	4	88
Income tax relating to items that will not be reclassified subsequently to profit or loss (note 29)	-	-	-	(17)	-	(17)	-	(17)
Foreign exchange gains / (losses) on translation of foreign operations (note 30)	-	-	-	-	111	110	8	119
Other comprehensive income/ (loss)	-	-	-	67	111	178	12	190
Total comprehensive income/ (loss)	-	30,696	-	67	111	30,874	2,351	33,225
Transactions with owners in their capacity as owners:								
Share based payment reserve (note 32)	-	388	-	-	-	388	-	388
Other movements in retained earnings	-	345	400	-	-	745	105	850
Total	-	733	400	-	-	1,133	105	1,237
At 31 December 2022	68,010	40,299	(1,870)	97	(31)	106,505	7,686	114,191

Consolidated Statement of Cash Flows

For the years ended 31 December

	Note	2020 £'000	2021 £'000	2022 £'000
Net Cash Inflow/ Outflow from Operating Activities (Note 34)		10,537	320,234	(248,846)
Income tax paid		(218)	(2,111)	(9,583)
Payments for interest on lease liabilities		(7)	(20)	(19)
Net Cash generated from/ (used in) Operating Activities		10,312	318,103	(258,448)
Cash Flow from Investing Activities				
Sale / (Purchase) of investments		1,980	(216)	1
Purchase of property, plant and equipment	19	(706)	(470)	(346)
Purchase of intangible assets	21	(6,540)	(4,044)	(4,561)
Net Cash Used in Investing Activities		(5,266)	(4,730)	(4,906)
Cash Flow from Financing Activities				
Capital injection from issue of shares	26	-	500	-
Repayment of principal portion of the lease liabilities	20	(304)	(232)	(233)
Increase / (decrease) in overdrawn accounts		(70)	-	-
Net Cash (used in)/ generated from Financing Activities		(374)	268	(233)
Net Increase / (decrease) in Cash and Cash Equivalents		4,672	313,641	(263,587)
Cash and cash equivalents at the beginning of the year		802,418	805,167	1,120,109
Cash and balances at central banks	11	579,088	677,864	676,492
Money market funds	12	60,599	52,738	336,737
Loans and advances on demand to banks	13	162,731	74,565	106,880
Exchange (losses)/ gains on cash and cash equivalents		(1,924)	1,301	50,531
Cash and cash equivalents at the end of the year		805,166	1,120,109	907,053
Cash and balances at central banks	11	677,864	676,492	607,358
Money market funds		52,738	336,737	209,486
Loans and advances on demand to banks	13	74,564	106,880	90,209

Notes to the Consolidated Financial Information

1. General Information

CAB Payments Holdings Limited is a private company limited by shares and is incorporated and domiciled in UK. The address of its registered office is Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS. With effect from 6 March 2023, the name of the Company was changed from CABIM Limited to CAB Payments Holdings Limited.

The Company and its subsidiaries (excluding those set out in Note 2 below) (the "Group") provide regulated banking services that connect emerging and frontier markets to the rest of the world, using FX and payments technology.

2. Basis of preparation

The Consolidated Historical Financial Information ("HFI") comprises the audited consolidated statements of comprehensive income, financial position, changes in equity, cash flows and notes of the Group for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 (the "**Consolidated Historical Financial Information**").

The Consolidated Historical Financial Information has been prepared specifically for the purposes of this Prospectus and does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006.

The Consolidated Historical Financial Information for periods ended 31 December 2020, 31 December 2021 and 31 December 2022 have been prepared in accordance with the requirements of the UK Prospectus Regulation, the Listing Rules and in accordance with this basis of preparation.

The Consolidated Historical Financial Information has been prepared on a going concern basis. In assessing going concern, the Directors take into account all factors likely to affect the future performance and financial position, including the Group's cash flows, solvency and liquidity positions and all the risks and uncertainties relating to business activities.

In making this assessment, the key factors considered by the Directors were:

- Uncertainty inherent in future financial forecasts, projections of working capital requirements and short-term working capital management requirements; and
- The impact of the competitive environment within which the Group's business operate.

Having considered all the factors above impacting the Group's business, including downside sensitivities, the Directors are satisfied that the Group has adequate resources to continue its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing its Consolidated Historical Financial Information.

The results for the period of ownership of the investments listed below have not been included in the consolidated historical financial information because these entities and investments will not be part of the Group at the date of the initial public offering. Therefore in accordance with accounting conventions commonly used for the preparation of Consolidated historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on Consolidated Historical Financial Information) issued by the Financial Reporting Council they have been carved out from the consolidated historical financial information because the Directors believe it provides more meaningful financial information to investors on the consolidated historical financial performance of the on-going Group. The exclusion of these investments has been recorded as an equity reserve. The specific investments excluded are listed below:

- (a) Crown Agents Investment Management Limited (referred to as 'CAIM') was controlled by the Group until 31 March 2023. The company reported a gain on disposal of £55,179 on completion of the disposal of CAIM. The Consolidated Historical Financial Information excludes the results of CAIM for all periods prior to its sale.
- (b) JCF Nominees Limited (referred to as 'JCF') was controlled by the Group until 31 March 2023. The Consolidated Historical Financial Information excludes the results of JCF for all periods prior to its sale.

With the exception of the requirements of IFRS 10 Consolidated Financial Statements in relation to the non-consolidation of CAIM and JCF, as referred to above, the accounting policies adopted are those to be applied in the next statutory financial statements for the year ending 31 December 2023 (being prepared in accordance with UK-adopted IFRS). The accounting policies in Note 3 have been applied consistently throughout all periods presented.

The Consolidated Historical Financial Information is presented in British Pound Sterling ("GBP"), all values are rounded to the nearest thousand (GBP£'000), except when otherwise indicated.

3. Significant accounting policies, judgements, and estimation uncertainty

Basis of consolidation

The Consolidated Historical Financial Information includes the financial information of the Company and all of its subsidiaries, as listed in Note 33, over which the Company has control except for CAIM and JCF as described in note 2 above. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

A subsidiary is an entity controlled directly or indirectly by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the consolidated historical financial information of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation, with the exception of foreign currency gains and losses on intragroup monetary items denominated in a foreign currency of at least one of the parties.

Non-Controlling Interest ("NCI") in subsidiaries are identified separately from the Group's equity therein. Interests of non-controlling shareholders represent ownership interests entitling their holders to a proportionate share of net assets upon liquidation are initially measured at the non-controlling interest proportionate share of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of NCI is the amount of those interests at initial recognition plus the NCI's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if it results in the non-controlling interest having a deficit balance. Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

The Group has established an employee benefit trust ('EBT') and the Company is the sponsoring entity. Notwithstanding the legal duties of the trustees, the Company considers that it has 'de facto' control of the entity. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by the EBT.

Basis of measurement

The Consolidated Historical Financial Information has been prepared on a going concern basis using the historical cost convention except for certain financial instruments that are measured at fair value.

New standards and interpretations

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 17	Insurance contracts

The adoption of the above standards have been applied for the Consolidated Historical Financial Information however did not have a material impact on the Group. There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning 1 January 2023 that would be expected to have a material

impact on the Group.

Going concern

The Directors have considered the financial position of the Company and the Group, including the net current asset position, regulatory capital requirements and estimated future cash flows and have concluded that the Group will be able to meet its obligations for at least a period of 12 months from the date of this document. Furthermore, the Directors are of the view that:

- (a) there are no material uncertainties relating to events or conditions that cast significant doubt on the Company and the Group's ability to continue as a going concern;
- (b) there are no significant judgements made by management in determining whether or not the adoption of the going concern is appropriate and
- (c) there are no material uncertainties to disclose in respect of going concern.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, including funds interest accruals on related foreign exchange contracts, are recognised within Interest Income and Interest Expense in the statement of Consolidated Comprehensive Income. The interest income on assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, is recognised using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Other interest income and similar income and other interest expense reflect received in relation to collateral balances and interest paid respectively.

Recognition of fees and commissions income

Fees and commissions income which are not an integral part of the effective interest rate are recognised as income as the Group fulfils its performance obligations. Fee and commission income include the following key streams:

- Account management and payment services: The Group's performance obligation in relation to account management services is to provide management or maintenance services to its current account holders. The revenue for these services is recognised over the period of time on a monthly basis and Crown Agents Bank Ltd ("CAB") provides the service.

Payment services relate to payment services offered by the Group to its customers by executing payment transactions. Revenue from providing services is recognised at a point in time when the services are rendered i.e., when the payments are executed.
- Pension payment fees: Pension payment fees are charged to pension companies for making payments to pension beneficiaries on their behalf. The Group acts as a principal in rendering these services to its customers. Revenue from providing services is recognised at a point in time when the services are rendered i.e., when the payments are executed.
- Trade finance income:
 - Financial guarantee income: Financial guarantee income includes fixed fees earned by the Group for issuing financial guarantee contracts. The performance obligation of the Group is to provide financial assurance to the recipient of the guarantee in case of payment default. Revenue from providing financial guarantee services will be recognised over the period of time across the contract term. The fees for providing financial guarantee services is charged and collected upfront.
 - Income from letters of credit: The Group also receives certain fees in respect of its finance business against issue of letters of credit where the performance obligations are typically fulfilled towards the end of the customer contract. Such income is recognised as part of interest income. Where it is unlikely that the letter of credit will be exercised, letter of credit fees are recognised in fee and commission income over the life of the facility, rather than as an adjustment to the effective interest rate for loans expected to be drawn.
- Electronic platform fees: Platform fees include the services provided by the Group using its electronic platform to facilitate bulk payments to its customers. Revenue from providing platform fees services is recognised at a point

in time when the services are rendered i.e., when the payments are executed.

- **Risk assessment fees:** Risk assessment fees include income from enhanced due diligence services provided by the Group under fixed price contracts. Revenue from providing services is recognised over the period of time in the accounting period on the basis of the actual service provided. As the fixed contracts are time-based contracts, revenue is determined based on the time elapsed relative to the total time as per the contract period. The invoicing for the risk assessment services is done on the completion of services or on a quarterly basis in accordance with the contractual terms. No significant element of financing is deemed present as the services provided allow a credit term of 30 days.
- **Introductory fees** are fees earned by CAB for introducing a new client to a third party to facilitate cash payment transactions. Revenue is recognised at a point in time when the services are rendered.

Net foreign exchange gains/ losses

These profits/ losses arise on foreign exchange settlements involving the transfer of customer funds to specified recipients. Under the Group's foreign exchange and payment services, customers agree to terms and conditions for all transactions at the time of signing a contract with the Group. Until the settlement of the contract, the Group measures these transactions at fair value with changes in fair value being recognised as profit or loss.

This net income also includes the profits and losses on remeasurement of forward foreign exchange derivatives carried at fair value through comprehensive income ("FVTCI"). See Note 7 for more details.

Foreign currency

- (i) Functional and presentation currency

The Group's HFI is presented in pound sterling and rounded to thousands.

The Group's subsidiaries' functional currency is British pound sterling, except for the US subsidiaries CAB Tech HoldCo USA LLC, Segovia Technology Company (US) and Segovia International Holdings LLC (collectively referred to as Segovia), which is the US dollar.

- (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated to the functional currency using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income except for foreign exchange gains and losses in relation to FVOCI instruments which are recognised in other comprehensive income.

- (iii) Group companies

For the purpose of presenting the HFI, the assets and liabilities of the Group's foreign operations are translated to the Group's presentation currency at exchange rates prevailing on the respective balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless these do not approximate to the foreign exchange rates ruling at the dates of the transactions, in which case the exchange rates at the date of transactions are used.

Foreign exchange differences arising on the translation of a foreign operation are recognised in other comprehensive income and accumulated in the Foreign Currency Translation Reserve ("FCTR").

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Current and deferred tax are recognised in the consolidated statement of comprehensive income, except when they relate to items recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets or liabilities are not discounted.

Current tax

The tax currently payable is based on taxable profit for the year, and amounts unpaid from previous years. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are

taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

If a company within the Group incurs losses within the period, that company may surrender trading losses and other amounts eligible for relief from corporation tax to another Group company (the claimant company) for the claimant company to set off against its own profits for corporation tax purposes as permitted by the HMRC.

Deferred tax

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

Current tax and deferred tax for the year

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

Intangible assets (excluding goodwill)

Intangible assets (except for goodwill) are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Core accounting software – 10 years
- Other software – 5 years (or over the life of the licence if less)
- Brand/name – 50 years (acquired)

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditure that does not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Long term software-as-a-service type contracts that do not meet the definition of an asset (rental of software) are expensed to profit and loss over the period of the contract in line with the benefits received.

Property, plant and equipment and depreciation

Property, plant and equipment are stated in the consolidated statement of financial position at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Depreciation commences when an asset becomes available for use. The depreciation rate for each class is as follows. Depreciation is calculated to write down assets to their residual value in

equal instalments over their estimated useful lives, which are:

Leasehold improvements	Life of lease
Computer equipment	5 years
Mobile phones	3 years
Fixtures and fittings	5 years
Artwork	20 years

Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired such as, decline in operational performance, changes in the outlook of future profitability among other potential indicators. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are largely independent of the cash flows of other groups of assets. This should be at a level not higher than an operating segment.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of comprehensive income unless the asset has been revalued then the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated statement of comprehensive income.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with commercial or central banks and exposures to money market funds (transacted via open ended investment companies). Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of any non-controlling interest in the acquiree.

Goodwill is tested for impairment at the end of each accounting period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is accounted for at cost less accumulated impairment losses.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTCL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or

financial liabilities at FVTCI are recognised immediately in the consolidated statement of comprehensive income.

Financials assets

All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. The trade date is the date of the commitment to buy or sell the financial asset.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Despite the foregoing, the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if equity instruments are held as a strategic investment and not held with the intention to realise a profit.

- By default, all other financial assets are measured subsequently at fair value through comprehensive income (FTCI).

The Group's financial assets measured at amortised cost comprise primarily of loans and advances, investment in debt securities, and other assets such as unsettled balances, staff loans and balances with mobile network providers.

The Group's financial assets measured at FVTCI comprise primarily of money market funds and derivative financial instruments.

Financial assets at FVTCI are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other interest and similar income' line item (Note 5). Fair value is determined in the manner described in Note 43.

The Group's financial assets designated at fair value through other comprehensive income ("FVTOCI") comprise primarily of its investments in equity instruments, which are not held for trading, (see Note 16). The equity instruments are held as a strategic investment and not held with the intention to realise a profit.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the Investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other interest and similar income' line item (Note 5) in the Consolidated Statement of Comprehensive Income.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is recognised in the Consolidated Statement of Comprehensive Income in the "interest income" line item (Note 5).

Derecognition of financial assets

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

On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the contractual substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Classification of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTCI.

Financial liabilities at fair value through profit and loss.

The Group's financial liabilities at FVTCI comprise primarily of foreign exchange forwards recognised as derivative financial liabilities (see below for policy on derivative financial instruments).

Financial liabilities at FVTCI are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

Financial liabilities at amortised cost

The Group's financial liabilities at amortised cost comprise primarily of customer accounts, other liabilities such as unsettled transactions, funds received in advance, and accruals.

Financial liabilities at amortised cost are measured subsequently at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group's derivatives policy only permits dealing in forward foreign exchange contracts to hedge or provide services to customers.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the reporting date.

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

Hedge accounting is not applied.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the Consolidated Historical Financial Information only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Repurchase of the Company's own equity instruments is recognised and deducted directly from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial guarantee contracts and letter of credit confirmations/ bill acceptances – provisions

Financial guarantee contracts

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Letters of credit confirmations/ bill acceptances

Letters of credit confirmation/acceptance is a letter from an issuing bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. The Group confirms/ accepts the letters of credit issued by an issuing bank and charges fixed fees which are received either in advance or at a later date.

Financial guarantee contracts and letter of credit confirmations/ bill acceptances issued by the Group, with the fee received upfront, are initially measured at their fair values which are generally equal to the fee received. Financial guarantee contracts and letter of credit confirmations/ bill acceptances issued by the Group, with the fee received at termination date, are recognised initially at zero, as the term has not yet started. The receivable increases over the life of the contract as service is performed with the corresponding recognition of income in the statement of profit or loss.

All financial guarantee contracts issued by the Group are subsequently measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Financial guarantee contracts are presented as provisions on the Consolidated Statement of Financial Position and the remeasurement is presented in other income. The Group has not designated any financial guarantee contracts and letter of credit confirmations/ bill acceptances as at FVTCL.

Impairment of financial assets

The Group recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTCL and are not equity instruments measured at FVTOCI:

- Cash and balances at central banks
- Loans and advances
- Investment in debt securities
- Other assets including balances with mobile network operators
- Accrued income
- Financial guarantees (guarantee and letters of credit confirmations/ bill acceptances)
- Unsettled transactions

Equity investments are not subject to impairment.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL (referred to as Stage 1); or
- lifetime ECL (referred to as Stage 2 and Stage 3).

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For these financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

The Group monitors all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a

significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset a credit rating of 'investment grade' in accordance with the globally understood definition, and a high credit risk when the asset has a credit rating of 'sub-investment grade'. Throughout the lifetime of the account, the Group monitors the behaviour of the asset based on its financial position and assesses whether the asset has any amounts past due. The Group assigns a "performing" status when the counterparty has a strong financial position and there is no past due amounts, and a "non-performing" status when there is a degradation in the financial position and subsequent arrears.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet the earlier of either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses ("ECL")

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's

Effective Interest Rate ("EIR").

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Presentation of ECL

Loss allowances for ECL are presented in the Consolidated Statement of Financial Position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- financial guarantee contracts: as a provision.

The Group recognises an increase or decrease in impairment in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, medical insurance and defined contribution pension plans. The Group also provides to Executive Directors and certain other key employees or senior management:

- a Long-Term Incentive Plan.
- the rights to invest in restricted shares and/or restricted share units of Group companies.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Pension Contributions

All pension contributions are accounted for as defined contributions and paid over on a monthly basis. No liability for pension entitlement accrues to the Group.

Long Term Incentive Plan and Restricted Shares/ Restricted Share Units Plan

The Group provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value of the equity instruments at the grant date. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares that will vest. A corresponding increase is recognised in retained earnings over the period in which the service is fulfilled (the vesting period).

There are no market performance conditions but only service conditions. Service conditions are taken into account when determining the grant date and for fair value of awards, and the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are non-vesting conditions. Non-

vesting conditions are reflected in the fair value of an award. Share awards vest when service conditions are met.

Where equity-settled arrangements are modified before the vesting date, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. If modified after vesting, it is recognised immediately. Where a modification is not beneficial to the employee there is no change to the charge for the share-based payment. Settlement and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the Consolidated Statements of Comprehensive Income.

The Group has no cash-settled arrangements.

Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 32.

Provisions and contingent liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated. Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the Consolidated Historical Financial Information but are disclosed unless they are remote.

Share capital and earnings per share

On issue of ordinary shares, any consideration received net of any directly attributable transaction costs is included in equity.

Basic and diluted earnings per share

Basic and diluted earnings per share is calculated on the Group's profit or loss after taxation attributable to the parent entity and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

Diluted Earnings per share

Diluted earnings per share is calculated on the Group's profit or loss after taxation attributable to the parent entity and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year and the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Dividend

Dividends paid on the Group's ordinary shares are recognised as a reduction in equity in the period in which they are paid.

Leases (Group as lessee)

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of fixtures and equipment with a value of less than £10,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group.

Lease payments included in the measurement of the Group's lease liabilities are fixed lease payments less any lease incentives receivable.

The lease liabilities are presented as a separate line in the Consolidated Statement of Financial Position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs and estimations of

any dilapidation obligations. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Consolidated Statement of Financial Position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of non-financial assets' policy.

Critical judgements and estimates

In applying the Group's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

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

Research and development tax rebate

The Group recognises the research and development tax rebate (which is a tax claim) as an accrued income in the statement of financial position, when it is highly probable that the claim will result in a future economic benefit and can be reliably measured. The amount of the research and development tax rebate recognised in the financial statement is based on the management's best estimate of the probable amount that will be received (note 17).

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company determines impairment losses on financial assets based on estimates which entail elements of uncertainty. Estimation uncertainty is relevant in respect of the following measures:

- Probability of default – please see note 37
- Loss given default – please see note 37
- Forward looking information – please see note 37
- Exposure at default – please see note 37

4. Segment Reporting

The Group is UK based providing Foreign Exchange Transaction (FX) and payments services to OECD organisations, by selling over 100 currencies over the year, through buying currencies from Liquidity Providers in those regions.

Operating segments to be determined by the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group's Executive Committee. The information regularly reported to the Executive Committee for the purposes of resource allocation and the assessment of performance is based wholly on the overall activities of the Group. Based on the Group's business model, the Group has determined that it has only one reportable segment.

The CODM assesses the profitability of the segment based on Adjusted EBITDA

All revenue from external customers is generated through the UK and on that basis is wholly attributable to the UK and all non-current assets, other than financial instruments and deferred tax assets, are located in the UK.

The Group derives its income from the provision of the following services.

	2020	2021	2022
	£'000	£'000	£'000
<u>Continuing operations Revenue by Product Type:</u>			
FX Revenue	14,904	29,241	63,425
Payments Revenue	12,993	20,368	33,661
Banking Services	6,370	3,887	12,349
Total income net of interest expenses	<u>34,267</u>	<u>53,496</u>	<u>109,435</u>
<u>Other comprehensive income for the year:</u>			
Foreign exchange gains/ (losses) on translation of foreign operations	(29)	(153)	119
Movement in investment revaluation reserve for equity instruments at fair value through other comprehensive income	17	12	88
Sub total	<u>34,255</u>	<u>53,355</u>	<u>109,642</u>
Less Clearing costs	(1,198)	(1,576)	(2,597)
Less Other costs of sales	(39)	(78)	(139)
Net revenue net of interest expenses	<u>33,018</u>	<u>51,701</u>	<u>106,906</u>

FX total income: The Group's FX revenue is derived from the difference between the exchange rate the Group makes available to its customers and the rate that it receives from one or more liquidity providers from whom it sources the relevant currency. Revenue categorized as FX is from customers with a need to exchange a bulk amount from one currency for another without onward payment to another party.

Payments total income: The Group's Payments revenue include cross currency payments, same currency payments (corresponding activity income, and account management fees), pension payments and platform revenue. Cross currency payments comprise margin derived from bid-ask spreads on foreign currency conversion and fees paid by customers to transfer money from one country to another to third parties. Same currency relates to payment services provided for payments transacted without an exchange of foreign exchange, largely relating to major market currency clearing, and includes fees for account management activities and payments execution. Pension payments fees relate to amounts earned on processing of pension scheme foreign exchange payments. Platform revenue relates to recurring fixed fees rather than fees earned on transaction volumes.

Banking Services: The Group also generates income from trade finance, liquidity services (including trade finance and letters of credit), and risk management consulting fees. As a licensed bank, the Group takes customer funds earmarked for other needs as customer deposits, and makes short-term investment in the money market to generate net interest income.

Profitability

The Group measures profitability for the reporting segment on an Adjusted EBITDA. Adjusted EBITDA is used as a key profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance. Adjusted EBITDA is useful as a measure of comparative operating performance between both previous periods, and other companies as it removes the effect of depreciation and amortisation, and non-recurring operating expenses, as well as items relating to capital structure.

	2020 £'000	2021 £'000	2022 £'000
(Loss)/Profit before tax	(2,405)	9,512	43,491
Adjusted for:			
Amortisation	3,030	4,275	4,600
Depreciation	1,006	1,146	1,138
Non - recurring operating expense	-	-	5,332
Adjusted EBITDA	1,631	14,933	54,561

Adjusted EBITDA – Earnings before Interest (but including net interest income – see note 5), Tax, Depreciation and Amortisation and non-recurring operating expense

5. Net Interest Income

	2020 £'000	2021 £'000	2022 £'000
Interest on cash and balances at central banks	1,148	680	8,216
Interest on loans and advances	3,515	1,394	3,723
Interest on investment in debt securities	2,273	632	5,168
Total interest income calculated using Effective Interest Rate (EIR)	6,936	2,706	17,107
Other interest income and similar income	6	1	63
Total other interest and similar income	6	1	63
Interest on financial liabilities at amortised cost	5,160	1,389	10,329
Interest expense on lease liabilities	7	20	19
Other interest expense	14	1	51
Total interest expenses	5,180	1,410	10,398
Total net interest income	1,762	1,298	6,773

6. Fees and commissions Income

	2020 £'000	2021 £'000	2022 £'000
Fees and commissions Income:			
Account management and payments	6,500	8,781	12,151
Pension payment fees	1,085	1,156	1,395
Trade finance	1,012	768	645
Electronic platform fees	1,368	537	785
Risk assessment services	990	583	-
Introductory fees	-	-	821
Total fees and commission income	10,955	11,825	15,797

At 31 December 2022, the Group held on its Consolidated Statement of Financial Position £610k (2021: £612k, 2020: £554k) of accrued income in respect of services provided to customers and £171k (2021: £128k, 2020: £138k) of deferred income in respect of amounts received from customers for services to be provided after the year end.

7. Net foreign exchange gain

	2020 £'000	2021 £'000	2022 £'000
Profit on settlement of foreign exchange contracts, fair value gains on derivatives, and remeasurement of non-sterling balances	14,791	28,738	63,080
Foreign exchange gains on payment transaction revenue	3,986	10,397	19,676
As at 31 December	18,777	39,135	82,756

Foreign exchange derivative financial instruments are mandatorily held at FVTCL.

8. Other operating income/(loss)

	2020 £'000	2021 £'000	2022 £'000
Other operating income / (loss)	375	347	(484)

Other operating income / (loss) balance consists of an estimate of the R&D claim submitted to HMRC from 2020 and 2021. It relates to tax credits received under the UK Research and Development Expenditure Credit ("RDEC") scheme and is recognised in the Consolidated Statement of Comprehensive Income in the same period in which the revenue/ expense is incurred.

In 2022, the Group re-estimated the calculation of the R&D claim which resulted in the reversal of the other income in the Statement of Profit or Loss.

9. Operating expenses

	2020 £'000	2021 £'000	2022 £'000
Staff costs and directors' emoluments (before non-recurring operating expenses)			
Salaries and bonuses	16,032	20,662	30,050
Share based payments	511	722	837
Social security costs	1,863	2,614	3,484
Pension costs	898	1,070	1,445
Sub Total	19,304	25,068	35,816
Clearing Costs	1,198	1,576	2,597
Fees payable to the auditors			
Audit	445	333	827
Audit related services	-	-	-
Non-audit services	-	-	11
Depreciation and amortisation:			
Amortisation of intangible assets	3,030	4,275	4,600
Depreciation of property, plant, and equipment	702	842	816
Depreciation charge for right-of-use assets	304	304	322
Total depreciation and amortisation	4,036	5,421	5,738
Low-value lease expenses	53	23	25
Other costs of sales	39	78	138
Other operating expenses*	11,430	11,635	15,118
Total recurring operating expenses	36,505	44,134	60,270
Non-recurring operating expenses	-	-	5,332
Total operating expense	36,505	44,134	65,602

* Other operating expenses includes bank charges, software license, and other software services.

Non-recurring operating expenses disaggregate as follows.	2020	2021	2022
Professional costs re review of strategic options	-	-	1,868
Non performance related staff bonuses	-	-	3,464
Total	-	-	5,332

The monthly average number of full-time equivalent staff employed within the Group, including executive directors, was 234 in the year ended 31 December 2022 (2021: 216, 2020: 202).

10. Income Tax Expense

A. Analysis of tax charge for the year

i. Income tax expense

	2020 £'000	2021 £'000	2022 £'000
Current tax			
Corporation tax based on the taxable profit and other comprehensive income for the year	44	2,105	10,577
Prior year adjustment	(23)	223	(20)
Total current tax	21	2,328	10,557
Deferred tax			
Prior year	13	(357)	59
Impact of tax rate changes	53	25	9
Origination and reversal of temporary differences	304	(95)	(152)
Deferred tax credit in statement of comprehensive income	370	(427)	(84)
Total tax charge in consolidated statement of comprehensive income	391	1,901	10,473

The total tax charge to profit or loss and other comprehensive income for the financial year is analysed as follows:

	2020 £'000	2021 £'000	2022 £'000
Total tax charge for the year	391	1,901	10,471
Effective tax	16%	20%	24%

ii. Amounts recognised directly in other comprehensive income

	2020 £'000	2021 £'000	2022 £'000
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss and recognised in other comprehensive income:	5	2	17

B. Factors Affecting Income Tax Expense for the Year

The tax assessed for the year ended 31 December 2022 is higher (2021: higher, 2020: lower) than the standard rate of Corporation Tax in the UK.

	2020 £'000	2021 £'000	2022 £'000
(Loss)/ profit before taxation	(2,405)	9,512	43,491
Standard rate corporation tax of 19.00% on profit before taxation (2021: 19.00%, 2020: 17.00%)	(454)	1,810	8,263
Effect of:			
- expenses not deductible for tax	254	495	360
- temporary differences regarding capital items	-	(308)	67
- losses not available for group relief	500	-	79
- impact of overseas tax rates	48	(11)	(40)
- tax rate changes	53	-	9
Permanent difference due to banking surcharge levy	-	-	1,696
Prior year adjustments/ other	(10)	(85)	39
Total income expense for the year	391	1,901	10,473

For 31 December 2020: In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in the Consolidated Historical Financial Information.

For 31 December 2021: In the 2021 Spring Budget, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. The figures above incorporate the increased tax rate in respect of timing differences expected to reverse after that date.

For 31 December 2022: The Finance Act 2021 enacted that from 1 April 2023 the main corporation tax rate will increase to 25%. In addition, there is a permanent difference due to banking surcharge levy of 3% in relation to taxable profits of banks in excess of £100 million from 1 April 2023. The effects of this increase are reflected in the Consolidated Historical Financial Information. The figures above incorporate the increased tax rate in respect of

timing differences expected to reverse after that date.

11. Cash and Balances at Central Banks

	2020 £'000	2021 £'000	2022 £'000
Cash and balances at central banks	677,864	676,492	607,358
Less: Impairment loss allowance	-	-	-
Total	677,864	676,492	607,358
Component of cash and balances at central banks included in statement of cashflows under:			
Cash and cash equivalents balances	677,864	676,492	607,358

Reconciliation to Cash Flow Statement

The above figures reconcile to the amount of cash and cash equivalents shown in the Cash Flow Statement as follows:

	2020 £'000	2021 £'000	2022 £'000
Balance as above	677,864	676,492	607,358
Loans and advances on demand to banks (note 13)	74,565	106,880	90,209
Money market funds (note 12)	52,738	336,737	209,486
Balances as per Cash Flow Statement	805,167	1,120,109	907,053

There are no restricted amounts within cash and balances at Central Banks.

These are measured at amortised cost as they meet the solely payment of principal and interest (SPPI) criterion and are held to collect the contractual cashflows.

The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the Consolidated Statement of Cash Flows can be reconciled to the related items in the consolidated reporting position as shown above.

Refer to note 37 on Credit risk for further details on impairment loss allowance.

12. Money market funds

	2020 £'000	2021 £'000	2022 £'000
Open Ended Investment Companies			
Goldman Sachs USD Treasury Liquid Reserves Fund	32,962	336,737	209,486
Black Rock ICS USD Liquidity Fund	8,790	-	-
JP Morgan USD Liquidity LVNAV Fund	10,986	-	-
Total	52,738	336,737	209,486
Component of Money Market Funds included in statement of cashflows under:			
Cash and cash equivalent balances	52,738	336,737	209,486

Money market funds are measured at FVTCL as they do not satisfy SPPI criterion. The funds are all rated AAA based on a basket of credit ratings agencies, all approved by the Financial Conduct Authority.

Refer to note 43 on fair value measurements for further details.

13. Loans and advances

Loans and advances are measured at amortised cost as they meet the SPPI criterion and are held to collect the contractual cashflows:

	2020 £'000	2021 £'000	2022 £'000
Loans and advances			
Loans and advances on demand to banks	74,569	106,885	90,255
Other loans and advances to banks	151,857	74,449	93,215
Loans and advances to customers	-	-	4,498
Loans and advances	226,426	181,334	188,418
Less: Impairment loss allowance			
Loans and advances on demand to banks	(5)	(5)	(46)
Other loans and advances to banks	(5)	(19)	(51)
Loans and advances to customers	-	-	(200)
Total	(10)	(24)	(297)
Net Loans and advances on demand to banks	74,564	106,880	90,209
Net Other loans and advances to banks	151,852	74,430	93,164
Net Loans and advances to customers	-	-	4,748
Net Loans and advances	226,416	181,310	188,121
Component of loans and advances included in statement of cash flows under:			
Loans and advances on demand to banks	74,564	106,880	90,209

There are no(2021: £nil, 2020: £nil) amounts included in Loans and advances outstanding as at 31 December 2022 that are overdue.

The Group's Loans and advances to banks include £1,827k for the year ended 31 December 2022 of encumbered assets (2021: £5,354k, 2020: £12,341k) in relation to derivative contracts with other financial institutions.

Refer to note 37 on Credit risk for further details on impairment loss allowance.

14. Derivative financial instruments

At 31 December the derivative assets and liabilities are set out below, these are held to manage foreign currency exposure and are not designated in hedge accounting relationships for risk management purposes:

Foreign Exchange Forwards:	Principal £'000	Assets £'000	Liabilities £'000
2022	714,810	6,590	(4,565)
2021	755,154	1,641	(7,669)
2020	764,508	2,303	(13,511)

The forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies. The net unrealised gain (2021 – loss, 2020 - loss) at the statement of financial position date is £2,024 (2021: £6,044k, 2020 - £11,169k). These derivative financial instruments and the underlying transactions they hedge will mature during 2023 (2021 - 2022, 2020-2021).

The Group has entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but were not offset, as at 2022, 2021 and 2020. The column 'net amount' shows the impact on the Group's balance sheet if all set-off rights were exercised.

2022 £'000	<u>Gross amounts</u>	<u>Gross amounts set off in the balance sheet</u>	<u>Net amounts presented in the balance sheet</u>	<u>Amounts subjected on master netting arrangements*</u>	<u>Net amount</u>
Financial assets					
Derivative assets	6,590	-	6,590	3,523	3,067
Financial liabilities					
Derivative liabilities	4,565	-	4,565	4,219	346
2021 £'000	<u>Gross amounts</u>	<u>Gross amounts set off in the balance sheet</u>	<u>Net amounts presented in the balance sheet</u>	<u>Amounts subjected on master netting arrangements*</u>	<u>Net amount</u>
Financial assets					
Derivative assets	1,641	-	1,641	1,141	500
Financial liabilities					
Derivative liabilities	7,669	-	7,669	5,118	2,551
2020 £'000	<u>Gross amounts</u>	<u>Gross amounts set off in the balance sheet</u>	<u>Net amounts presented in the balance sheet</u>	<u>Amounts subjected on master netting arrangements*</u>	<u>Net amount</u>
Financial assets					
Derivative assets	2,303	-	2,303	-	2,303
Financial liabilities					
Derivative liabilities	13,511	-	13,511	13,220	291

*Agreements with derivative counterparties are based on an ISDA Master Agreement and other similar master netting arrangement with other counterparties. Under the terms of these arrangements, only where certain credit events occur (such as termination of the contract or default of the other party), will the net position owing / receivable to a single counterparty in the same currency be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the table above.

The fair value of a derivative contract represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

15. Investment in debt securities

The Group's investment in debt securities consist of fixed rate bonds issued (or guaranteed) by central and private banks. These are measured at amortised cost as they meet the SPPI criterion and are held to collect the contractual cashflows.

	<u>2020</u> <u>£'000</u>	<u>2021</u> <u>£'000</u>	<u>2022</u> <u>£'000</u>
Investment in debt securities at amortised cost	162,370	73,249	414,074
Less: Impairment loss allowance	(1)	(1)	(13)
Total	162,369	73,248	414,061

Refer to Note 37 on Credit risk for further details on impairment loss allowance.

16. Investment in Equity Instruments

Investment securities designated FVTOCI	2020 £'000	2021 £'000	2022 £'000
Shares in The Society for Worldwide Interbank Financial Telecommunication ("SWIFT SCRL")	137	154	381
Additions	-	216	21
Fair value gain/(loss)	17	12	86
At 31 December	154	382	488

With the exception of the following, the Group's policy is not to invest in equities. However, in order to undertake its business, the Group utilises the Swift payment system, the conditions of which oblige participants to invest in the shares of Swift, in proportion to participants' financial contributions to Swift. Due to the nature of the investment, this equity security has been designated at FVTOCI. No dividend income was recognised from these shares as at December 2022 (2021: nil, 2020: nil). There was no sale of these equity shares.

Apart from investments in subsidiary undertakings (see Note 33) the Group held no other investments.

Refer to Note 43 on fair value measurements for further details.

17. Accrued Income

	2020 £'000	2021 £'000	2022 £'000
Financial assets:			
Accrued income (others)	613	614	429
Less: Impairment loss allowance	(4)	(1)	(5)
Total	609	613	424
Non-financial assets:			
Research and development tax rebate	284	731	432
Total	893	1,344	856

Accrued income relates to balances which are owed to the Group for services rendered or products provided that have not yet been invoiced. This balance arises from several components including management fee, pension accruals, and other revenues. The balance is also related to a research and development tax rebate which is a tax claim that the Group is due to receive from the HMRC for the qualifying research and development activities undertaken from the Group.

Lifetime ECL has been recognised for accrued income. There has not been any significant change in the gross amounts of accrued income that has affected the estimation of the loss allowance. Further details of expected credit losses on contract asset (accrued income) are disclosed note 37.

18. Other assets & unsettled transactions

	2020 £'000	2021 £'000	2022 £'000
Financial assets:			
Staff loans	29	535	544
Balances with mobile network operators*	1,973	2,856	3,650
Late receipts	-	321	3,111
Other assets	144	(133)	794
Less: impairment loss	(109)	(52)	(62)
Total	2,037	3,527	8,037
Non-financial assets:			
Transactions debited in error**	59	1,645	8,322
Corporation tax refund	79	38	-
VAT refund	222	682	914
Prepayments	2,006	2,311	2,264
Total	2,366	4,676	11,500
Total other assets	4,403	8,203	19,537

* Balances with mobile network operators ("MNOs") are due to the Group in respect of mobile money transfer. The Group charges fees for services it provides to aid transfer of funds by its clients to beneficiaries via mobile money using MNOs.

**These balances represent amounts that are debited in advance or error and which will be reversed in the following year.

The financial assets are at amortised cost.

	2020 £'000	2021 £'000	2022 £'000
Unsettled transactions***	18,273	10,767	12,960

*** Unsettled transactions result from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The arising balances are short-term in nature (typically less than four days) and were settled early the following year.

19. Property, plant and equipment

	Leasehold improvements £'000	Computer Equipment* £'000	Fixtures & Fittings** £'000	Total £'000
Cost				
At 1 January 2020	122	1,308	2,097	3,527
Additions	-	655	51	706
FX Movement	-	-	-	-
Disposals	-	(106)	-	(106)
At 31 December 2020	122	1,857	2,148	4,127
Accumulated depreciation				
At 1 January 2020	24	592	400	1,016
Charge for the year	22	296	384	702
FX Movement	-	1	-	1
Disposals	-	(106)	-	(106)
At 31 December 2020	46	783	784	1,613
Net book value				
At 31 December 2020	76	1,074	1,364	2,514

	Leasehold improvements £'000	Computer Equipment* £'000	Fixtures & Fittings** £'000	Total £'000
Cost				
At 1 January 2021	122	1,857	2,148	4,127
Additions	-	268	41	309
Reclassification (Note 21)	-	161	-	161
Disposals	-	(3)	(5)	(8)
At 31 December 2021	122	2,283	2,184	4,589
Accumulated depreciation				
At 1 January 2021	46	783	784	1,613
Charge for the year	22	430	390	842
Reclassification	-	81	-	81
Disposals	-	(2)	(2)	(4)
At 31 December 2021	68	1,292	1,172	2,532
Net book value				
At 31 December 2021	54	991	1,012	2,057
	Leasehold improvements £'000	Computer Equipment* £'000	Fixtures & Fittings** £'000	Total £'000
Cost				
At 1 January 2022	122	2,283	2,184	4,589
Additions	-	322	24	346
Foreign exchange movement	-	3	-	3
Disposals	-	(96)	(4)	(100)
At 31 December 2022	122	2,512	2,204	4,838
Accumulated depreciation				
At 1 January 2022	68	1,292	1,172	2,532
Charge for the year	22	390	404	816
Foreign exchange movement	-	(5)	-	(5)
Disposals	-	(81)	(3)	(84)
At 31 December 2022	90	1,596	1,573	3,259
Net book value				
At 31 December 2022	32	916	631	1,579

* Includes mobile phones

** Includes artwork

20. Leases (Group as a lessee)

The Group has recognized a right of use ("ROU") asset and a lease liability for its property leases which is for an average lease term of five-year and 10-month period. The leases have been accounted for as a portfolio (as they have similar characteristics) and a single discount rate has been used to calculate the lease liabilities. The discount used is the incremental borrowing rate of 2.14% - 8.99%.

The Group makes fixed payments on a quarterly basis, in advance, to the lessor for the use of the properties, there are no variable payments. A property lease has a lease incentive, with the lease incentive receivable being deducted from the future lease payments.

The services provided by the lessor, such as cleaning, security, maintenance, and utilities as part of the contract, are non-lease components which are not included in the ROU asset and have been expensed in 'Operating expenses' line item in note 9. These amounts to £238k for the year ended 31 December 2022 (2021: £236k, 2020: £259k)

The Group's leases of low value fixtures and equipment are expensed in 'Operating expenses' line item in note 9 on a straight-line basis (see accounting policy in note 3 for leases). These amounted to £53k for the year ended 31 December 2022 (2021: £23k, 2020: £25k).

There were no Short-term leases.

The lease terms cover only the non-cancellable lease term. There are no purchase, extension, or termination options and residual guarantees in the lease. There are also no restrictions or covenants imposed by the lease.

There were no leases entered into which had not commenced as at any year-end.

Right of use assets

All the Group's right-of-use assets are non-current assets. A reconciliation of the Group's right-of-use assets as at 31 December 2020, 31 December 2021 and 31 December 2022 is shown below:

	2020 £'000	2021 £'000	2022 £'000
Property lease			
Cost			
At 1 January	1,370	1,370	1,370
Additions	-	-	695
At 31 December	1,370	1,370	2,065
Accumulated depreciation			
At 1 January	-	305	609
Charge for the year	305	304	322
At 31 December	305	609	931
Net book value			
At 31 December	1,065	761	1,134

Lease liabilities

A reconciliation of the Group's remaining operating lease payments as at 31 December 2020, 31 December 2021 and 31 December 2022 are shown below:

	2020£ '000	2021 £'000	2022 £'000
Leasehold Property			
Lease liability as at 1 January	1,355	1,051	819
Additions during the year	-	-	694
Less: Payments during the year	(311)	(252)	(251)
Add: interest on lease liabilities	7	20	19
At 31 December	1,051	819	1,281

There were no variable lease payments expenses as at 31 December 2022 (2021: nil, 2020: nil).

The Group's lease liabilities as at 31 December 2020, 31 December 2021 and 31 December 2022 is split into current and non-current portions as follows:

	2020 £'000	2021 £'000	2022 £'000
Non-current	800	484	611
Current	251	335	670
Lease liability	1,051	819	1,281

Lease liabilities are effectively secured as the rights to the leased assets recognised in the Consolidated Historical Financial Information revert to the lessor in the event of default.

The maturity analysis of lease liabilities is disclosed in note 38.

The following are the amounts recognised in the Consolidated Statement of Comprehensive Income

	2020 £'000	2021 £'000	2022 £'000
Depreciation expense of right-of-use assets	304	304	322
Interest expense on lease liabilities	7	20	19
Expense relating to leases of low-value assets (included in Operating expenses)	53	23	25
Total amount recognised in comprehensive income	364	347	366

There is only one class of right of use assets which is the property lease.

The Group had total cash outflows for leases of £443k as at 31 December 2022 (2021: £251k, 2020: £311k). The Group also had non-cash additions to right-of-use assets and lease liabilities of nil (2021: nil, 2020: nil).

21. Intangible assets

	Goodwill £'000	Core Accounting Software £'000	Other Software £'000	Brand/ Other £'000	Total £'000
Cost					
At 1 January 2020	7,106	4,639	11,197	1,357	24,299
Additions	141	137	6,252	10	6,540
Exchange differences	-	(1)	145	-	144
Disposals	-	-	(285)	-	(285)
At 31 December 2020	7,247	4,775	17,309	1,367	30,698
Accumulated amortisation and impairment					
At 1 January 2020	616	2,096	2,489	15	5,224
Charged in the year	7	594	2,395	34	3,030
Impairment losses for the year	-	-	-	-	-
Exchange differences	-	-	-	-	-
Reclassification*	-	-	-	-	-
Disposals	-	-	(281)	-	(281)
At 31 December 2020	623	2,690	4,603	49	7,965
Net book value					
At 31 December 2020	6,624	2,085	12,706	1,318	22,733
Cost					
At 1 January 2021	7,247	4,775	17,309	1,367	30,698
Additions	-	419	3,742	44	4,205
Exchange differences	-	(26)	106	-	80
Reclassification*	-	-	(161)	-	(161)
Disposals	-	-	-	-	-
At 31 December 2021	7,247	5,168	20,996	1,411	34,822
Accumulated amortisation and impairment					
At 1 January 2021	623	2,689	4,603	49	7,965
Charged in the year	-	598	3,641	36	4,275
Impairment losses for the year	-	-	-	-	-
Exchange differences	-	-	-	-	-
Reclassification*	-	-	(82)	-	(81)
Disposals	-	-	-	-	-
At 31 December 2021	623	3,287	8,162	86	12,159
Net book value					
At 31 December 2021	6,623	1,881	12,834	1,325	22,663
Cost					
At 1 January 2022	7,247	5,168	20,996	1,411	34,822
Additions	-	133	4,412	16	4,561
Exchange differences	-	-	-	-	-
Reclassification*	-	-	-	-	-
Disposals	-	-	(87)	-	(87)
At 31 December 2022	7,247	5,301	25,321	1,427	39,296
Accumulated amortisation and impairment					
At 1 January 2022	623	3,288	8,163	85	12,159
Charged in the year	-	717	3,846	37	4,600
Impairment losses for the year	-	-	-	-	-
Exchange differences	-	-	(30)	-	(31)
Reclassification*	-	-	-	-	-
Disposals	-	-	(57)	-	(57)
At 31 December 2022	623	4,005	11,922	122	16,672
Net book value					
At 31 December 2022	6,624	1,296	13,399	1,305	22,624

* This is a reclassification of prior year Intangible Assets to Property, plant and equipment. The amortisation adjustment relates to the prior year amortisation.

Software costs that do not result in an intangible asset (the right to receive access to the supplier's application software in the future is a service contract) of the Group are expensed. Software costs expensed as at 31 December 2022 was £1,293k (2021: £942k, 2020: £782k). These costs are expensed to profit and loss over the period of the contract in line with the benefits received. There are no judgments made in this respect.

Internally generated assets include payment-related software that is created and utilised in the Group's operation. All intangible assets (except Goodwill) have finite lives, see note 3 for accounting policies on the amortisation method and useful lives.

The Group holds other software such as payments, compliance, and banking software.

Goodwill

The goodwill relates to the following acquisitions:

- (i) by the Company, on 31 March 2016, of the entire share capital of both Crown Agents Bank Limited.
- (ii) by the Group, on 1 July 2019, of the entire share capital of Segovia Technology Company (US), a US based fintech Company.

Cash Generating Units: Goodwill relating to the Group's acquisitions of both Crown Agents Bank Limited and Segovia Technology Company (US) is allocated to Crown Agents Bank Limited which is the cash generating unit to benefit from it. The goodwill is tested for impairment at the CGU level.

Impairment reviews were performed on the carrying values of all intangible assets as follows:

- (i) Goodwill: reviewed against a value in use calculation of CAB, the cash generating unit.
- (ii) Other Intangible Assets: reviewed against valuations of the Group companies concerned, for CAB comparisons were made against value in use calculations.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. There were no impairment losses on goodwill.

Crown Agents Bank Limited

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the board of directors covering a three-year period. The key assumptions used by the Group in setting the financial budgets for the initial three-year period were as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Discount rate	12%	12%	17%
Terminal value growth rate	0%	0%	0%
Budgeted Adjusted EBITDA growth rate (average of next three years)	126%	35%	55%

Discount rate

The Group uses a pre-tax discount rate based on a weighted average cost of capital.

Forecast EBITDA growth rates

Forecast EBITDA growth rates are based on past experience adjusted for new products, customer growth (including new customer take-on) and inflationary (pricing) considerations.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. The Group believe that any reasonably possible change in the key assumptions on which the recoverable amount of Crown Agents Bank Limited is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

22. Deferred Tax

A. Deferred Tax Liability

The deferred tax liability recognised in the Consolidated Historical Financial Information is as follows:

	2020 £'000	2021 £'000	2022 £'000
Deferred tax Liability to be recovered after more than 12 months	824	402	316

	Property, plant and equipment	Intangible Assets	Investment in equity	Expected credit loss provision	Total
At 1 January 2020	420	29	2	-	451
Credit/ (charge) for the year	67	303	3	-	373
At 31 December 2020	487	332	5	-	824
At 1 January 2021	487	332	5	-	824
Credit/ (charge) for the year	(251)	(173)	3	-	(422)
At 31 December 2021	236	159	8	-	402
At 1 January 2022	236	159	8	-	402
Credit/ (charge) for the year	(231)	85	16	44	(86)
At 31 December 2022	5	243	24	44	316

The deferred tax liability can be further analysed as follows:

	2020 £'000	2021 £'000	2022 £'000
Liability reversing at 19%	824	40	-
Liability reversing at 25.5%	-	362	252
Liability reversing at 27.25%	-	-	5
Liability reversing at 28%	-	-	59
At 31 December 2022 at 19%	824	402	316

B. Deferred tax recognised in the year

	2020 £'000	2021 £'000	2022 £'000
Accelerated tax depreciation on property, plant and equipment	(67)	(251)	230
Intangible assets	(303)	(173)	(86)
Expected Credit Losses provision	-	-	(44)
Total income tax expense to profit or loss	(370)	(424)	100
Charged to other comprehensive income:			
Deferred tax expense on investment on equity securities	(3)	2	(16)
Total deferred income tax expense in other comprehensive income	(3)	2	(16)
Total deferred income tax expense for the year	(373)	(422)	84

C. Unrecognised deferred tax assets and deferred tax liabilities

There Group had no unrecognised deferred tax assets and deferred tax liabilities.

23. Customer accounts

	2020 £'000	2021 £'000	2022 £'000
Repayable on demand	424,463	664,749	659,310
Other customers' accounts with agreed maturity dates or periods of notice by residual maturity repayable:			
3 months or less	548,544	465,680	479,641
1 year or less but over 3 months	99,196	62,296	169,491
2 years or less but over 1 year	591	-	-
Total	1,072,794	1,192,725	1,308,442

The total deposits from customers were from corporate customers. Customer accounts are accounts that customers hold with the Group. The Group is transaction led and does not borrow to finance lending. A substantial proportion of customer accounts are current accounts that, although repayable on demand, have historically formed a stable deposit base.

24. Unsettled transactions, accruals and other liabilities

	2020 £'000	2021 £'000	2022 £'000
Financial liabilities			
Trade creditors	301	368	554
Funds received in advance	2,212	4,265	4,988
Other creditors	1,329	1,352	11
Non -financial liabilities			
Funds received in error	422	195	3,500
HM Revenue & Customs	344	1,045	2,413
Deferred Income*	8	8	52
Total other liabilities	4,616	7,233	11,518
Accruals	6,040	8,659	19,364
Total other liabilities and accruals	11,656	15,892	30,882

* Deferred income relates to payments that are received from customers before the services are provided to customers.

	2020 £'000	2021 £'000	2022 £'000
Unsettled transactions	2,094	18,338	25,782

Unsettled transactions result from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The arising balances are short-term in nature (typically less than four days) and were settled shortly after the balance sheet date.

25. Provisions

	2020 £'000	2021 £'000	2022 £'000
Re Expected Credit Loss provisions:			
Financial Guarantee liability	50	31	-
Liability for letter of credit confirmations / bill acceptances	87	1	7
Liquidity as a service (LaaS) - Undrawn commitments	-	-	72
Total	137	32	79

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group provides financial guarantees to multiple counterparties. The maximum exposure as at 31 December 2022 is £592k (2021: £2,194k, 2020: £2,225k) and issued guarantees cover the time until maturity of the

underlying bank loan. The Group received premiums of £85k for the year ended 31 December 2022. (2021: £73K, 2020: £21k).

Letter of credit confirmations/ bill acceptances

Letter of credit confirmation/acceptance is a letter from an issuing bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. The Group confirmed the letters of credit issued by an issuing bank and charged fixed fees which are received either in advance or at a later date. The Group provides these acceptances to multiple counterparties. The maximum exposure is £50,065k as at 31 December 2022 (2021: £54,480k, 2020: £69,900k) and the given guarantee covers the time until maturity of underlying bank loan. the Group received a premium of £572k for the year ended 31 December 2022. (2021: £683K, 2020: £991k).

The uncertainties relating to the amount or timing of any outflow are those inherent within the products concerned, notably that the relevant counterparty will not carry out its obligations. Cash collateral of £56,773k as at 31 December 2022 (2021: £51,632k, 2020: £42,500k) was held by the Group in respect of the assets underlying financial guarantees and letters of credit noted above. These are not restricted cash and are available for use by the Group.

Liquidity as a service (LaaS) – undrawn commitments

Liquidity as a service is a credit facility offered by the Group to its customers which allows customers to draw down on the facility on satisfaction of the terms of this facility. The Group charges facility fees for consideration of providing this facility. The Group provides this facility to multiple counterparties. Please refer to note 31 for the maximum exposure of liquidity as a service (LaaS). The Group received facility fees of £52k. (2021: £nil, 2020: £nil).

26. Called up share capital

	2020	2021	2022
	£'000	£'000	£'000
Authorised, allotted, issued, and fully paid (£1 Ordinary Shares- Class A)			
As at 1 January	67,500	67,500	68,000
New capital	-	500	-
As at 31 December	67,500	68,000	68,000
Authorised, allotted, issued, and fully paid (£1 Ordinary Shares - Class B)	10	10	10
Total share capital – as at 1 January	67,510	67,510	68,010
Total share capital – as at 31 December	67,510	68,010	68,010

There are no restrictions on the distribution of dividends and the repayment of capital.

The Class B shares do not carry the right to receive dividends. Class B shares are not transferrable without the prior consent of the board or on the occurrence of an Exit Event or an Interim Liquidity Event. For voting rights, the Class B shares shall confer on the holders of those shares the right to cast 4%, in aggregate, of all votes capable of being cast on any resolutions. On a winding-up of the Group, the rights of the A shares shall rank behind the rights of the B shares.

27. Earnings per share ("EPS")

Basic EPS is calculated on the Company's profit after taxation referencing the weighted average number of issued and fully paid ordinary shares at the end of the year.

The calculation of the basic earnings per share is based on the following data:

	2020 £'000	2021 £'000	2022 £'000
Earnings attributable to owners of the Group:	(2,628)	7,010	30,857
Earnings for the purposes of basic and diluted earnings per share being profit attributable to owners of the Group	(2,614)	7,143	30,681
Class A shares	67,500	67,750	68,000
Class B shares	10	10	10
Weighted average number of ordinary shares in issue for basic and diluted EPS.	67,510	67,760	68,010
The denominator for the purposes of calculating both basic and diluted earnings per share has been adjusted to reflect the capitalisation issue in 2021.			
Total shares			
Basic earnings per shares	(0.04)	0.11	0.45
Total basic earnings per share attributable to owners of the Company	(0.04)	0.11	0.45
Class A shares:			
Basic and diluted earnings per shares	(0.04)	0.11	0.45
Total basic and diluted earnings per share attributable to owners of the Company	(0.04)	0.11	0.45

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of the Consolidated Historical Financial Information.

28. Retained earnings

	£'000
Balance at 1 January 2020	3,929
Loss for the year	(2,614)
Credit to equity for equity-settled share-based payments	505
Other movements in retained earnings*	(682)
Balance at 31 December 2020	1,138
Balance at 1 January 2021	1,138
Profit for the year	7,143
Credit to equity for equity-settled share-based payments	460
Other movements in retained earnings*	129
Balance at 31 December 2021	8,870
Balance at 1 January 2022	8,470
Profit for the year	30,696
Credit to equity for equity-settled share-based payments	388
Other movements in retained earnings*	345
Balance at 31 December 2022	40,299

*Other movements relate to share-based payments and adjustments due to change in NCI percentages.

29. **Investment revaluation reserve**

	£'000
Balance at 1 January 2020	8
Fair value gain on investments in equity instruments designated as at FVTOCI	16
Income tax relating to fair value gain on investments in equity instruments designated as at FVTOCI	(3)
Balance at 31 December 2020	21
Balance at 1 January 2021	21
Fair value gain on investments in equity instruments designated as at FVTOCI	12
Income tax relating to fair value gain on investments in equity instruments designated as at FVTOCI	(2)
Balance at 31 December 2021	31
Balance at 1 January 2022	31
Fair value gain on investments in equity instruments designated as at FVTOCI	83
Income tax relating to fair value gain on investments in equity instruments designated as at FVTOCI	(17)
Balance at 31 December 2022	97

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

30. **Foreign currency translation reserve**

	£'000
Balance at 1 January 2020	28
Exchange losses arising on translating the foreign operations	(27)
Balance at 31 December 2020	1
Balance at 1 January 2021	1
Exchange losses arising on translating the foreign operations	(142)
Balance at 31 December 2021	(141)
Balance at 1 January 2022	(141)
Exchange gains arising on translating the foreign operations	110
Balance at 31 December 2022	(31)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operation from its functional currency to the Group's presentation currency (i.e. £) are recognised directly in OCI and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

31. **Non-controlling interest ("NCI")**

The Group consists of a parent Company, CAB Payments Holdings Limited, incorporated in the UK and a number of subsidiaries held directly and indirectly by Group, which operate and are incorporated around the world. Note 33 below lists details of the interests in subsidiaries.

Material non-controlling interests

Summarised financial information in respect of the Group's subsidiary (CAB Tech Holdco Limited ("CTH")), which owns the entire share capital of CAB Tech Holdco USA LLC, a US based holding Company (which itself owns Segovia) that has material non-controlling interests is set out below. The summarised financial information is shown below.

	2020 £'000	2021 £'000	2022 £'000
Assets	80,415	91,664	105,008
Liabilities	75,558	86,135	96,958
Equity attributable to owners of the Company	66,100	74,099	106,102
Non-controlling interests	4,661	5,229	7,687
Net Interest Income	286	153	804
(Loss)/ Profit attributable to owners of the Company	(2,614)	7,143	30,696
(Loss)/ Profit attributable to the non-controlling interests	(178)	470	2,339
(Loss)/ Profit for the year	(2,792)	7,613	33,035
Other comprehensive income attributable to owners of the Company	(14)	(142)	176
Other comprehensive income attributable to the non-controlling interests	(1)	(10)	13
Other comprehensive income for the year	(15)	(152)	189
Total comprehensive (loss) / income attributable to owners of the Company	(2,628)	7,010	30,873
Total comprehensive (loss) / income attributable to the non-controlling interests	(179)	460	2,352
Total comprehensive (loss) / income for the year	(2,807)	7,470	33,225
Dividends paid to non-controlling interests	-	-	-
Net cash inflow/ (outflow) from operating activities	708	22,170	(18,283)
Net cash outflow from investing activities	(361)	(330)	(347)
Net cash (outflow) / inflow from financing activities	(21)	19	(17)
Net cash inflow/ (outflow)	326	21,859	(18,647)

32. Share based payment scheme

Share based payments are recognised directly in retained earnings Note 28. Movements during the year were as follows:

	2020 £'000	2021 £'000	2022 £'000
Share based payments expenses recognised in profit or loss	505	717	837
Expense arising from equity-settled share-based payment transactions	505	717	837

Share Based Scheme 1 – Group

Description and Vesting requirements

In 2017 an equity settled share-based payment scheme was put in place to incentivise senior management. Legal ownership over the shares lies with the Employee Benefit Trust ("EBT"). Employees receive equitable interest only for which they pay nominal value.

There are no market performance conditions, only service conditions. The employee would need to remain in employment for 4 years for the shares to vest. Where there are bad leavers, the share award is cancelled. However, for good leavers and compulsory leavers, the Company has the right but not the obligation to purchase their shares.

During the period, directors / key managers employed by Crown Agents Bank Limited, purchased the equitable interest in the Company's £1 Ordinary Shares (Class B), at a cost of £1.00 per share, as follows:

Group (number of people)	2020	2021	2022
Directors (1 in 2021)	-	500	-
Key managers (6 in 2021)	-	1,300	-
Total	-	1,800	-

The fair value of the underlying shares relating to the equitable interests granted was based on a report by external consultants. In determining the fair value, the Monte Carlo valuation model was used to value the shares at grant date. The valuation is a Level 2 valuation. The resulting value is expensed to the profit and loss in line with the vesting of the interests concerned.

The equitable interest in the shares vests at various times as follows:

Vesting Month	Year Of Issue/ Tranche Number					
	2018/1	2018/2	2021/1	2021/2	2021/3	2021/4
March 2018	40%	-	-	-	-	-
March 2019	20%	-	-	-	-	-
March 2020	20%	40%	-	-	-	-
March 2021	20%	20%	-	-	-	-
December 2021	-	-	40%	-	-	-
March 2022	-	20%	-	40%	-	-
December 2022	-	-	20%	-	-	-
March 2023	-	20%	-	20%	40%	-
October 2023	-	-	-	-	-	40%
December 2023	-	-	20%	-	-	-
March 2024	-	-	-	20%	20%	-
October 2024	-	-	-	-	-	20%
December 2024	-	-	20%	-	-	-
March 2025	-	-	-	-	20%	-
April 2025	-	-	-	20%	-	-
October 2025	-	-	-	-	-	20%
March 2026	-	-	-	-	20%	-
October 2026	-	-	-	-	-	20%
	100%	100%	100%	100%	100%	100%
Equitable interest in shares issued	8,500	1,750	600	500	300	400

The cumulative equitable interest in shares cancelled totalled 2,050 (2021: 2,050, 2020: 2,050).

The interest in Nil (2021 – 20, 2020: 230) shares was forfeited during the period. The movement in the equitable interest in the number of shares is as follows:

Share Based Scheme 1 – Group

	Consolidated Number
Share based payments scheme 1	
Outstanding at 1 January 2020	8,450
Granted during the year	-
Exercised during the year	-
Cancelled during the year (2018 issues)	-
Forfeited during the year	(230)
Outstanding at 31 December 2020	8,220
Vested and exercisable at 31 December 2020	-
Outstanding at 1 January 2021	8,220
Granted during the year	1,800
Exercised during the year	-
Cancelled during the year (2018 issues)	(20)
Forfeited during the year	-
Outstanding at 31 December 2021	10,000
Vested and exercisable at 31 December 2021	-
Outstanding at 1 January 2022	10,000
Granted during the year	-
Exercised during the year	-
Cancelled during the year	-
Forfeited during the year	-
Outstanding at 31 December 2022	10,000
Vested and exercisable at 31 December 2022	-

Inputs to the models

The fair value at grant date is independently determined using the Monte Carlo which considers, the term of the award, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the award and the correlations and volatilities of peer group companies. The expected price volatility is based on the historic volatility (based on the remaining life of the awards), adjusted for any expected changes to future volatility due to publicly available information.

The awards outstanding at 31 December 2022 had a weighted average remaining contractual life of 5 years. In 2022, there were no additional shares granted. The aggregate of the estimated fair values of the awards granted on those dates is £Nil. In 2021, awards were granted, the aggregate of the estimated fair values of the awards granted on those dates is £605 per share.

The following table lists the inputs to the models used for the share awards granted in this scheme:

	Key Inputs
Dividend yield (%)	n/a
Expected volatility (%)	30-40
Risk-free interest rate (%)	1.2%
Expected life of share awards	2.7
Share price at grant date (£)	142
Model used	Monte Carlo

Share Based Scheme 2 - Group

Description and Vesting requirements

Following the purchase of the Segovia Group in 2019, incentives in the shares of CAB Tech Holdco Limited were allocated to key individuals employed within Segovia. The incentives were provided as Restricted Share Awards or Restricted Share Unit Awards (both in relation to the Class B £1 Ordinary Shares) at the individual's discretion. Subsequently, additional Restricted Share Units were awarded to key individuals. This scheme is an equity settled share based payment and the same valuation measurement and methodology as described above for scheme 1 applies.

There are no market performance conditions, only service conditions. The shares vest as shown below over the course of 30 months. Where there are bad leavers, the share award will be cancelled. However, for good leavers and compulsory leavers, the Company has the right but not the obligation to purchase their shares. The scheme includes a non-vesting condition which is the Change in Control ("CIC") vesting component that requires the change of control to be concluded before the 7th anniversary of the grant.

The shares are exercised at nominal value, each share awards converts into one ordinary share of the Company on exercise.

Restricted Share Awards

During the year, no directors (2021 – 0, 2020 - 1) and no key managers (2021 – 0, 2020 - 0) within the Group were awarded any restricted shares. No (2021 – 37,630, 2020 - 271,205) restricted shares were removed from the scheme during the year. Restricted shares removed were reallocated to CAB Payments Holdings Limited.

The restricted shares vest at various times, depending on the continued employment of the employee concerned, as follows:

Vesting Month	Year of Issue	
	2019	2020
March 2020	40%	-
March 2021	40%	-
September 2021	20%	40%
March 2022	-	-
September 2022	-	40%
December 2022	-	-
March 2023	-	20%
	100%	100%
Shares issued	700,752	157,808

Restricted Share Unit Awards

During the years, no directors (2021 – 0, 2020 - 3) and no key managers (2021 – 0, 2020 - 0) within the Group were awarded any Restricted Share Units (Class B £1 ordinary shares) in CAB Tech Holdco Limited. No (2021 – 0, 2020 – 0) shares in relation to the Restricted Share Units were issued during the years. No (2021 – 104,911, 2020 –145,558) Restricted Share Units were cancelled during the years.

The restricted share units vest at various times, depending on the continued employment of the employee concerned, as follows:

Vesting Month	Year of Allocation/ Tranche Number		
	2019	2020/1	2020/2
March 2020	40%	40%	-
March 2021	40%	40%	-
September 2021	20%	20%	40%
March 2021	-	-	20%
March 2022	-	-	20%
	100%	100%	100%
Share Units issued	1,371,336	197,606	27,445

When issued, the fair value of the Restricted Shares and Restricted Share Units was £1.19. The fair value was based on a market valuation of CAB Tech Holdco Limited following a report provided by external consultants.

Share based payments scheme 2	RU- Number*	RSU- Number
Outstanding at 1 January 2020	700,752	1,371,336
Granted during the year	157,808	225,051
Exercised during the year	0	0
Cancelled during the year	0	0
Forfeited during the year	0	(53,517)
Outstanding at 31 December 2020	858,560	1,542,870
Vested and exercisable at 31 December 2020	280,301	-
Outstanding at 1 January 2021	858,560	1,542,870
Granted during the year	-	-
Exercised during the year	-	-
Cancelled during the year	-	-
Forfeited during the year	-	(158,428)
Outstanding at 31 December 2021	858,560	1,384,442
Vested and exercisable at 31 December 2021	763,876	-
Outstanding at 1 January 2022	858,560	1,384,442
Granted during the year	-	-
Exercised during the year	-	-
Cancelled during the year	-	-
Forfeited during the year	-	-
Outstanding at 31 December 2022	858,560	1,384,442
Vested and exercisable at 31 December 2022	826,999	-

Inputs to the models

Description of the model is as shown above under scheme 1.

The awards outstanding at 31 December 2022 had a weighted average remaining contractual life of 5 years. In 2022, no shares (2021: 0, 2020:0) were granted.

The Group's net tax liability is nil for taxes payable on employee share based payment obligations; the tax obligation is borne by the employees.

Note: in 2020, 271,705 restricted shares were reallocated to the Group being the unvested portion of a departing employees' holding

33. Related undertakings

Principal subsidiaries

The Group's principal subsidiaries as at 31 December 2022 are set out below. Unless otherwise stated, their share capital consists solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business. There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities if its subsidiaries.

Direct/Indirect Subsidiaries	Principal activity/ Business	Country of Incorporation and Principal Place of Business
CAB Tech Holdco Limited	Holding Company	UK
Crown Agents Bank Limited	Bank	UK
CAB Europe BV	Payments	Netherlands
CAB Tech HoldCo USA LLC	Holding Company	US
Segovia Technology Company (US)	Fintech	US
Segovia International Holdings LLC	Holding Company	US
Segovia Technology International Ltd	Holding Company	Cayman Islands
Segovia Technology Bangladesh Ltd*	Fintech	Bangladesh
Segovia Technology Cameroon Co Ltd*	Fintech	Cameroon
Segovia Technology Congo SARL	Fintech	Congo
Segovia Technology Cote d'Ivoire SARL	Fintech	Ivory Coast
Segovia Technology (Kenya) Co	Fintech	Kenya
Segovia Technology Liberia Corp	Fintech	Liberia
Segovia Technology 454 Ltd*	Fintech	Malawi
Segovia Niger SARL*	Fintech	Niger
Segovia Technology Nigeria Ltd	Fintech	Nigeria
Segovia Technology Pakistan (PVT) Ltd*	Fintech	Pakistan
Segovia Technology Rwanda Corp Ltd	Fintech	Rwanda
Segovia Technology Senegal Corp SUARL	Fintech	Senegal
Segovia Technology (Tanzania) Co	Fintech	Tanzania
Segovia Technology (Uganda) Co Ltd	Fintech	Uganda

*dormant

All Segovia entities are held indirectly through CAB Tech Holdco Limited, which owns the entire share capital of CAB Tech Holdco USA LLC, a US based holding Company which owns Segovia.

All UK subsidiaries are incorporated in the UK with registered offices at Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS.

All Group companies are 100% Group owned with the exception of:

1. CAB Tech Holdco Limited – 93.03% reducing over time to a minimum of 90.67% depending on the exercise of share awards and the vesting of shares.
2. Segovia Technology Mozambique Corp SA – 1% owned by directors of Group companies due to local regulatory requirement.
3. Segovia Technology Pakistan (PVT) Ltd – 66% owned by senior management.

34. Notes to the Consolidated Statement of Cash Flows

Reconciliation of profit / (loss) before taxation to net cash inflow from operating activities

	2020	2021	2022
	£'000	£'000	£'000
(Loss)/ Profit before taxation:	(2,405)	9,512	43,491
Adjusted for non-cash items:			
Effect of currency exchange rate changes	(6,505)	(9,638)	50,489
Effect of other mark to market revaluations	4	(4)	(15)
Amortisation	3,030	4,194	4,600
Depreciation			
- Right of use assets	305	304	322
- Property, plant and equipment	702	922	816
Share based payment charge	505	722	837
Loss on disposal of property, plant and equipment	(1)	4	6
Interest accrued on lease liabilities	7	20	19
Impairment provision	167	(150)	342
Changes in working capital:			
Net decrease/ (increase) in advances to banks	59,624	76,390	(10,245)
Net (increase) in advances to customers	2,145	-	(4,748)
Net (increase) / decrease in investment in debt securities	(11,653)	86,929	(332,055)
Net (increase) / decrease in other assets	(749)	(3,801)	(11,333)
Net (increase) / decrease in unsettled transactions	(8,420)	7,506	(2,193)
Net (increase) / decrease in accrued income	(319)	(451)	488
Net increase in accruals	2,212	2,619	10,705
Net (decrease)/ increase in advances by customers	(26,933)	126,043	(11,191)
Net (decrease)/ increase in other liabilities	(1,179)	19,113	10,819
Net cash inflow from operating activities	10,537	320,234	(248,846)

Non-cash transactions

Non-cash transactions from investing activities for the Group during 2022 include acquisition of right of use asset amounting to £695k (2021: nil, 2020: nil). There are no non-cash transactions from investing activities for the Group during the period.

Changes in liabilities arising from financing activities

The Group's changes in lease liabilities are in note 20. There are no other changes in liabilities from financing activities.

There are no changes in liabilities arising from financing activities for the Company.

35. Related party transactions

Holding Company

The immediate parent undertaking is Merlin Midco Limited. The address of its registered office is 13 Castle Street, St Helier, Jersey, Channel Islands, JE4 5UT.

The ultimate parent undertaking and controlling party is Helios Investors III LP, acting through its general partner Helios Investors Genpar III LP. Helios Investors Genpar III LP is registered in the Cayman Islands with its registered office at PO Box 309GT, Uglund House, South Church Street, Grand Cayman, Cayman Islands KY1-1104.

No Company is required to consolidate these financial statements.

The related party transactions, are as follows (were all at arm's length and were transacted at market value):

As at 31 December 2022 the Group had four (2021: three, 2020: four) intercompany balances with companies outside the Group as follows:

- £64k (2021: £12.5k, 2020: £13k), to Helios Investors Genpar III LP. The amount relates to the outstanding balance

of a director's fees payable by a Group company, CAB. No interest accrues on the outstanding amount. Helios Investors Genpar III LP had control or significant influence over the Company.

£2,251k (2021: £nil, 2020: £500k) to Merlin Midco Limited. The balance relates to a contractual loan on which interest accrues at a commercial rate. Merlin Midco Limited had control or significant influence over the Company.

- As at 31 December 2022 a Group company reimbursed part of the salary £37k (2021: £27k, 2020: £27k) of an employee of Givedirectly Inc, an entity of which Michael Faye, a director of CAB, CAB Tech Holdco Limited and Segovia Technology Company (US), is a director. The Group company also reimbursed expenses totalling £31k during the year ended 31 December 2022 (2021: £79k, 2020: £137k) incurred by the employee concerned. Both recharges related to Michael Faye's role as a director of Segovia Technology Company (US).
- As at 31 December 2022, 777,328 (2021: 771,605, 2020: 771,605) £1 Class A Ordinary Shares of the Company were owned by a company controlled by a director of the Company. The registration of no further shares (2021: 5,723, 2020: none) was completed post year end.
- As at 31 December 2022, £2,130k (2021: £2,194k, 2020: £2,409k) is payable to Crown Agents Investment Management Limited.
- A Group Company provided banking services to connected parties, all of which were at arm's length, and with income earned as follows:

	FX/ Payments £'000	Correspondent Banking £'000	Total £'000
2020			
Givedirectly Inc*	321	-	321
Helios Investors Genpar III LP**	2	-	2
Helios Investment Partners LLP	1	-	1
Tap Tap Send UK Ltd*	2,318	277	2,595
As at 31 December	2,642	277	2,919

	FX/ Payments £'000	Correspondent Banking £'000	Total £'000
2021			
Givedirectly Inc*	523	3	526
Helios Investors Genpar III LP**	8	-	8
Tap Tap Send UK Ltd*	1,347	78	1,425
As at 31 December	1,878	81	1,959

	FX/ Payments £'000	Correspondent Banking £'000	Total £'000
2022			
Givedirectly Inc*	1,315	16	1,331
Helios Investors Genpar III LP**	2	-	2
Tap Tap Send UK Ltd*	2,820	101	2,921
As at 31 December	4,137	117	4,254

* companies of which Michael Faye, a director of the Bank, CAB Tech Holdco Limited and Segovia Technology Company (US), is a director.

** a Company which had control or significant influence over the Company.

Note: the income on FX transactions is determined by margins on the underlying currencies traded

Interest in the shares of a subsidiary of the Company, CAB Tech Holdco Limited (all of which were granted in 2021) were owned by directors of certain Group Companies as follows:

	CAB Tech Holdco Limited – Number Of £1 Ordinary Shares			
	A2 Shares	A2 Share Options	Restricted Shares (B Shares)	Restricted Share Units (B Shares)
As at 31 December 2022				
Director 1	662,325	-	157,808	-
- Related parties	202,681	-	-	-
Director 2	43,989	22,929	4,871	544,910

The amounts remained unchanged over the period.

Remuneration of key management

The remuneration of the directors, who are the key management of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2020 £'000	2021 £'000	2022 £'000
Short-term employee benefits	2,734	2,832	5,446
Post-employment benefits	58	147	187
Other long-term benefits	-	-	-
Termination benefits	200	-	-
Share-based payments	-	540	837
Total remuneration	2,992	3,519	6,470

The Group had a number of loans to Directors and key management as summarised as shown below.

Staff loan

Across the Group there were loans outstanding at the year-end as follows:

	2020		2021		2022	
	No.	£'000	No.	£'000	No.	£'000
Directors						
As at 1 Jan	3	22	3	22	3	159
Loans repaid	-	-	(1)	(5)	-	-
New loans	-	-	1	142	-	-
As at 31 Dec	3	22	3	159	3	159
Key Management						
As at 1 Jan	5	11	5	11	8	252
Loans repaid	-	-	-	-	-	-
New loans	-	-	3	241	-	-
As at 31 Dec	5	11	8	252	8	252

36. Contingent liabilities, commitments and guarantees

Contingent Liabilities

The Group does not have any contingent liabilities in the reporting period (2021: nil, 2020: nil) other than those disclosed in Note 25.

Commitments

Capital commitments

The Group does not have any capital commitments in the reporting period (2021: nil, 2020: nil).

Other Commitments

In 2020, CAB entered into a five year contract to assist with the ongoing automation of manual processes. The following payments are due under the contract:

Payment Due	2020 £'000	2021 £'000	2022 £'000
Not later than one year	500	1,800	2,210
Later than one year and not later than five years	8,120	6,353	4,143
	8,620	8,153	6,353

The total of the amounts due under the contract are expensed to P&L over the life of the contract in line with the benefits received.

Further commitments are discussed in Note 26.

37. Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to banks, and investment in debt securities therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to banks (including liquidity as a service and discounted letters of credit), investments in debt securities, investments in money market fixed, other assets, mobile network operator balances, unsettled transactions, other finance products, and accrued income. The Group considers the following elements of credit risk exposure, including counterparty-specific risk, geographical risk, and sector risk for risk management purposes.

Credit risk management

The Group monitors credit risk per class of financial instrument. The Group recognises a loss allowance for expected credit losses on investments in financial assets that are measured at amortised cost such as loans and advances to banks, investment in debt securities, other assets and accrued income, as well as undrawn commitments.

Exposure to Credit Risk by Instrument

The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument.

Instrument	Description	Note
Cash and balances at central banks.	These are balances with the Bank of England, which has AA-credit rating. Balances are available on demand and are located in the UK.	11
Investment in Debt Securities	<p>Fixed rate bonds (US Treasury bills) are US Treasury bills issued by the US government which offer a fixed rate of interest for a set period of time.</p> <p>Fixed rate bonds (other) are other fixed rate bonds issued by companies or G20 governments which offer a fixed rate of interest for a set period of time.</p> <p>A flat facility fee is charged for the provision of services. CAB will lend money to customers solely for the purpose of assisting the customer with its specific liquidity requirements that arise from settlement timelines in its standard payment flows. The rate charged for the amount lent is the greater of i. a fixed rate (e.g. 9%) or ii. US Federal rate plus a spread (e.g. US Fed rate plus 1%).</p>	15
Loans and Advances to Banks and Customers	<p>Nostros are bank accounts that CAB holds with other commercial banks.</p> <p>Credit Support Annex (CSA) loans represent collateral required from customers by a credit support annex (a legal document) for initial and variation margin as part of derivative transactions. They are under a collateralised-to-market (CTM) regime. A CTM model would require the out-of-the-money party to post collateral with an amount equal to the cumulative mark to market value, either with the exchange or with the counterparty.</p> <p>Both initial and variable margin payments are refundable upon settlement of the derivative and is therefore accounted for as collateral.</p> <p>Discounted letters of credit are advanced letter of credit payments that CAB pay to counterparties before the completion of the sales and shipping process. The amount that CAB paid out is discounted by a discounted fee (interest rate) and, as such, is lower than the principal expected to be received. They are essentially factoring</p>	13

Instrument	Description	Note
	<p>transactions.</p> <p>Trade finance loans are short-term working capital loans allowing buyers and sellers to finance their trade commitments on a transactional basis. CAB receives interest payments in return.</p> <p>Liquidity as a service (LaaS) is a type of overdraft facility where CAB agreed to provide customers with a facility for a set period with specific terms and conditions as set out in the LaaS agreements. This is a new product launched in 2022.</p>	
Other assets exposures	<p>Unsettled transactions are unsettled balances resulting from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The balances are short-term (typically less than four days).</p> <p>Balances with mobile network operators are the payments from mobile network operators (MNOs) that are due to CAB in respect of mobile money accounts. In certain countries in Africa, mobile money accounts are widely used, this service allows users to deposit money into an account stored on their mobile phones and to then send balances using a PIN-secured SMS text message to other users.</p> <p>One of the services that CAB provide is the transfer of funds by clients to beneficiaries via mobile. Typically, a client will deposit funds in CAB's controlled bank account. These funds are then transferred to an account held with a MNO. Clients submit a request for a payment to be made on the Payment Gateway. On receipt of the request, funds are remitted from the account held with the MNOs to the beneficiary with CAB's fee deducted simultaneously. MNOs therefore provide CAB with the equivalent of a bank account.</p>	12
Accrued income	Accrued income is money which is owed to CAB for services rendered or products provided that have not yet been paid. This balance arises from several components such as management fee, pension accruals, and other revenues.	17

The maximum credit exposures distributed across each instrument are summarised in the table below.

	2020 £'000	2021 £'000	2022 £'000
Cash and balances at central banks	677,864	676,492	607,358
Loans and Advances	226,426	181,335	188,418
Investment in debt securities	162,370	73,249	414,074
Other Asset Exposures	20,419	14,347	21,059
Accrued income	613	614	429
Total On-Balance Sheet Exposure	1,087,692	946,037	1,231,338
Total Off-Balance Sheet Exposure	58,980	61,500	46,721

*The total off-balance sheet exposure consists of the following: financial guarantee contracts, which are contracts that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument, letter of credit confirmation / acceptance, which is a letter from an issuing bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount and liquidity as a service, which is a credit facility offered by the Group to its customers which allows customers to draw down on the facility on satisfaction of the terms of this facility.

	2020 £'000	2021 £'000	2022 £'000
Financial guarantee contracts	2,180	6,000	4,000
Trade Finance - letter of credit confirmation / acceptance			
Acceptance	6,000	27,000	15,000
Confirmations	50,800	28,500	23,000
Liquidity as a service	-	-	4,721
Total Off-Balance Sheet Exposure*	58,980	61,500	46,721

The carrying amounts of financial assets best represents their maximum exposure to credit risk. The amounts include both balance sheet and undrawn exposures.

Significant increase in credit risk ("SICR")

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets.

The criteria used are both quantitative changes in PDs as well as qualitative. The table below summarises the range above which an increase in lifetime PD is determined to be significant, as well as some indicative qualitative indicators assessed. The Group uses an internal rating system that goes from Rating 0 to 7 with Rating 8 representing default. Below is a table that represents the through-the-cycle PD range per rating and the exposure-weighted distribution for 2022. Furthermore, ratings 0 to 3 represent investment grade ratings whilst 4 to 7 represent sub-investment grade ratings.

Rating type	Rating	TTC PD Range
Investment Grade	Rating 0	0%, 0.01%
	Rating 1	0.01%, 0.02%
	Rating 2	0.03%, 0.05%
	Rating 3	0.06%, 0.08%
Sub- Investment Grade	Rating 4	0.081%, 0.10%
	Rating 5	0.11%, 0.5%
	Rating 6	0.51%, 1.5%
	Rating 7	1.51%, 25%
	Rating 8 (Default)	100%

Irrespective of the outcome of the above rating assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit risk are effective, meaning that significant increase in credit risk is identified as an instrument triggers one of the SICR criteria or under the discretion of management. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. A key aspect of the ECL methodology is that the distribution of future losses can be estimated through forecasting the evolution over time of the credit cycle index (CCI) systematic factor. The estimated future path of this factor is derived directly via a statistical model which calibrates to multiple macroeconomic scenarios (base, upsides, and downsides). Specifically, the probability-weighted mean of the ECL distribution measures the expected credit loss. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each class of financial instrument and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The table below summarises forecast GDP Growth indicators included in the economic scenarios used at 31 December 2022 for the years 2023 to 2027, for the UK and the key regions in which the Group operates and therefore have a material impact in ECLs.

	2023	2024	2025	2026	2027
United Kingdom GDP growth					
Base scenario	(0.9%)	1.5%	2.7%	2.2%	1.7%
Upside scenario	3.0%	3.8%	3.9%	2.6%	1.5%
Mild upside scenario	1.4%	3.0%	3.5%	2.5%	1.6%
Stagnation scenario	(3.5%)	0.7%	2.5%	2.2%	1.8%
Downside scenario	(4.6%)	0.2%	2.3%	2.1%	1.8%
Severe downside scenario	(6.5%)	(0.6%)	2.0%	2.1%	1.9%
Americas GDP growth					
Base scenario	0.0%	1.3%	2.3%	2.4%	2.2%
Upside scenario	2.7%	3.2%	3.7%	2.8%	2.1%
Mild upside scenario	1.6%	2.5%	3.2%	2.7%	2.1%

	2023	2024	2025	2026	2027
Stagnation scenario	(1.4%)	0.5%	1.8%	2.2%	2.2%
Downside scenario	(2.1%)	0.1%	1.5%	2.1%	2.3%
Severe downside scenario	(3.2%)	(0.7%)	1.0%	2.0%	2.3%
Eurozone GDP growth					
Base scenario	(0.1%)	2.1%	2.3%	1.9%	1.6%
Upside scenario	3.1%	4.7%	3.6%	2.1%	1.4%
Mild upside scenario	1.8%	3.8%	3.2%	2.0%	1.5%
Stagnation scenario	(2.1%)	1.1%	1.9%	1.9%	1.6%
Downside scenario	(3.1%)	0.6%	1.6%	1.9%	1.7%
Severe downside scenario	(4.6%)	(0.4%)	1.2%	1.8%	1.7%
Asia-Pacific GDP growth					
Base scenario	3.3%	4.2%	4.9%	4.6%	4.2%
Upside scenario	6.4%	6.3%	6.3%	5.0%	4.0%
Mild upside scenario	5.1%	5.5%	5.8%	4.8%	4.1%
Stagnation scenario	1.2%	3.3%	4.1%	4.3%	4.2%
Downside scenario	0.3%	2.9%	3.7%	4.2%	4.3%
Severe downside scenario	(1.3%)	2.0%	3.0%	4.0%	4.3%
Sub-Saharan Africa GDP growth					
Base scenario	2.8%	3.2%	3.3%	3.4%	3.3%
Upside scenario	8.1%	6.7%	5.6%	3.8%	2.8%
Mild upside scenario	6.0%	5.4%	4.8%	3.6%	3.0%
Stagnation scenario	(0.3%)	1.8%	2.2%	3.2%	3.6%
Downside scenario	(1.8%)	0.9%	1.6%	3.1%	3.7%
Severe downside scenario	(4.2%)	(0.5%)	0.6%	2.9%	4.0%
Middle East North Africa GDP growth					
Base scenario	2.1%	2.9%	2.8%	2.5%	2.4%
Upside scenario	7.5%	6.7%	5.2%	2.9%	2.0%
Mild upside scenario	5.4%	5.3%	4.4%	2.8%	2.2%
Stagnation scenario	(1.0%)	1.2%	1.7%	2.4%	2.7%
Downside scenario	(2.5%)	0.3%	1.1%	2.3%	2.8%
Severe downside scenario	(5.0%)	(1.3%)	(0.0%)	2.1%	3.0%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 18 years.

The Group has performed a sensitivity analysis on how ECL on the portfolio would change if the key assumptions used to calculate ECL change by macroeconomic scenario. The table below outlines the total ECL across the portfolio as at 31 December 2022, by looking at the changes in PD and ECL at each of the macroeconomic scenarios. The changes are applied in isolation for illustrative purposes and are applied to each probability weighted scenario used to develop the estimate of expected credit losses. There will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

As at 2022	Average 12m PD	ECL (£'000)
Base	0.8%	440
Upside	0.7%	409
Mild Upside	0.8%	421
Stagnation	0.9%	465
Downside	0.9%	478
Severe	1%	501

Measurement of expected credit losses (ECL)

ECL is applicable to financial assets classified at amortised cost and FVTOCI. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions, and forecasts of future economic conditions.

The Group applies the general model for measuring expected credit losses (ECL) which uses a three-stage approach

in recognising the expected loss allowance to its financial assets measured at amortised cost. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The key inputs used for measuring ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD")

The ECL Model allocates accounts to three Stages and calculates the impairment as:

- 12 months Expected Loss for accounts in Stage 1; and
- Lifetime Expected Loss (LEL) for accounts in Stage 2 and Stage 3

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). The Group has measured its ECL at a counterparty-level which is then aggregated to a product and segment level.

Probability of Default

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. PDs are determined using the one-factor Merton-Vasicek model and transforms TTC PDs to a 1-month Forward-in-Time (FiT) PD for each period of a loan's contractual life by decomposing the portfolio into systematic and idiosyncratic risk factors. The systematic factor captures risks relevant to the entire portfolio and is assumed to be correlated to the overall macroeconomy. The idiosyncratic factor captures counterparty-specific characteristics. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

The Group estimates the remaining lifetime Probability of Default (PD) of exposures and how these are expected to change over time. The Group uses the Moody's RiskCalc tool to assign a risk rating to each counterparty which represents the probability of default. The factors considered in this process include macro-economic data including GDP per region – UK, Americas, Eurozone, Asia, Sub-Saharan Africa (SSA), and Middle East & North Africa (MENA). The Group generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

Loss Given Default

The LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD model for portfolio incorporates information on consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original effective interest rate (EIR) of the loan. The Group's credit portfolio is made up entirely of soft assets.

Exposure at Default

The EAD is an estimate of the exposure at default. It is based on the outstanding amount of the account combined with any default penalty and recovery fees associated with recovering a defaulted account. The EAD model incorporates the balance, interest, fees, and arrears depending on the type of product the account is. This includes interest-only, deposit, and overdraft facilities.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as: instrument type, credit risk grade, and regional split.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Impairment of financial assets

The Group's impairment loss on financial assets, undrawn commitments and financial guarantees that are subject to the expected credit loss model are as shown below:

	2020 £'000	2021 £'000	2022 £'000
Impairment recognised in profit or loss:			
Increase in ECL provision for cash and balances at central banks		-	-
Increase in ECL provision for investment in debt securities		-	(12)
Increase in ECL provision for loans and advances	(94)	(14)	(273)
(Increase) / decrease in ECL provision for other asset exposures	(43)	53	(6)
(Increase) / decrease in ECL provision for accrued income	(1)	5	(4)
Total impairment recognised in profit or loss for financial assets	(139)	44	(295)
(Increase) / decrease in other ECL provisions	(28)	106	(47)
Total impairment (loss)/ recovery recognised in profit or loss	(167)	150	(342)

Credit quality

An analysis of the Group's credit rating, maturity and credit risk concentrations per class of financial asset is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

A. Portfolio Grading

The table below displays a breakdown of the portfolio in terms of credit quality. Instruments with strong credit characteristics are categorised as "investment grade" (risk grades 0 to 3), while those with higher credit risk are categorised as "sub-investment grade" (risk grades 4 to 7).

Exposure by grade

	2020 £'000	2021 £'000	2022 £'000
Exposure by grade			
Cash and balances at central banks	677,864	676,492	607,358
Investment Grade	677,864	676,492	607,358
Loans and advances	226,426	181,335	188,418
Investment Grade	184,617	121,634	116,998
Sub-Investment Grade	41,809	59,701	71,420
Investment in debt securities	162,370	73,249	414,074
Investment Grade	162,370	73,249	414,074
Other asset exposures	20,419	14,347	21,059
Investment Grade	4	3	6,247
Sub-Investment Grade	20,415	14,344	14,812
Accrued income	613	614	429
Investment Grade	47	27	-
Sub-Investment Grade	566	587	429
Total On-Balance Sheet Exposure	1,087,692	946,037	1,231,338
Total Off-Balance Sheet Exposure	58,980	61,500	46,721

B. Breakdown by Country/Region

The table below describes the gross carrying amount by location for each asset class.

Exposure by Region

	2020 £'000	2021 £'000	2022 £'000
Cash and balances at central banks	677,864	676,492	607,358
UK	677,864	676,492	607,358
Loans and advances	226,426	181,335	188,418
Africa	37,439	50,048	56,293
China	52,956	308	26,421
Europe	30,020	21,710	18,852
Far East	431	5,679	928
Japan	3,086	20,275	5,694
Middle East	18,733	23,752	25,229
Other	15,149	7,653	3,543
UK	30,270	18,028	22,780
US	38,341	33,882	28,678
Investment in debt securities	162,370	73,249	414,074
Africa	-	12,823	25,273
Europe	33,530	29,548	139,300
Far East	-	7,507	49,162
Middle East	3,694	-	-
Other	13,643	-	18,023
UK	15,068	7,299	20,473
US	96,435	16,071	161,844
Other asset exposures	20,419	14,347	21,059
Africa	5,124	2,621	6,086
Europe	-	-	-
Other	2,875	644	7,022
UK	12,421	10,861	7,865
US	-	221	45
Accrued income	613	614	429
Africa	165	91	29
Middle East	-	-	25
Other	82	152	62
UK	269	344	313
US	97	27	-
Total On-Balance Sheet Exposure	1,087,692	946,037	1,231,338
Off Balance Sheet Exposure			
Total Off Balance Sheet Exposure	58,980	61,500	46,721

C. Breakdown By Maturity

The table below describes the gross carrying amount per maturity for each asset class.

Exposure By Maturity

	2020 £'000	2021 £'000	2022 £'000
Cash and balances at central banks	677,864	676,492	607,358
Less than 3 months	677,864	676,492	607,358
Loans and advances	226,426	181,335	188,418
Less than 3 months	120,245	129,833	109,950
More than 3 months	106,181	51,502	78,468
Investment in debt securities	162,370	73,249	414,074
More than 3 months	162,370	73,249	414,074
Other asset exposures	20,419	14,347	21,059
Less than 3 months	20,305	13,965	18,164
More than 3 months	114	382	2,895
Accrued income	613	614	429
Less than 3 months	285	285	279
More than 3 months	328	329	290
Total On-Balance Sheet Exposure	1,087,692	946,037	1,231,338
Off Balance Sheet Exposure			
Total Off Balance Sheet Exposure	58,980	61,500	46,721

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Loss Allowance

The table below represents the ECL per Stage by asset class.

Year	2020			2021		2022	
	£'000			£'000		£'000	
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 2
ECL							
Cash and balances at central banks	-	-	-	-	-	-	-
Loans and advances	10	-	-	24	-	297	-
Investment Grade	3	-	-	-	-	-	-
Sub-Investment Grade	7	-	-	24	-	297	-
Investment in debt securities	1	-	-	1	-	13	-
Investment Grade	1	-	-	1	-	13	-
Other asset exposures	89	-	20	55	1	61	1
Sub-Investment Grade	89	-	20	55	1	61	1
Accrued income	6	-	-	1	-	5	-
Sub-Investment Grade	6	-	-	1	-	5	-
Off Balance Sheet Accounts	138	-	-	32	-	79	-
Investment Grade	138	-	-	32	-	79	-
Grand Total	244	-	20	113	1	455	1

The tables below describes gross carrying amount, loss allowance, and carrying amount after loss allowance per class of assets.

	2020 £'000	2021 £'000	2022 £'000
On Balance sheet exposure			
Cash and balances at central banks			
Gross carrying amount:	677,864	676,492	607,358
Loss allowance	-	-	-
Carrying amount after loss allowance	677,864	676,492	607,358
Loans and advances			
Gross carrying amount:	226,426	181,335	188,418
Loss allowance	(10)	(24)	(297)
Carrying amount after loss allowance	226,416	181,311	188,121
Investment in debt securities			
Gross carrying amount:	162,370	73,249	414,074
Loss allowance	(1)	(1)	(13)
Carrying amount after loss allowance	162,369	73,248	414,061
Other asset exposures			
Gross carrying amount:	20,419	14,347	21,059
Loss allowance	(109)	(52)	(62)
Carrying amount after loss allowance	20,310	14,295	20,997
Accrued income			
Gross carrying amount:	613	614	429
Loss allowance	(4)	(1)	(5)
Carrying amount after loss allowance	609	613	424
Total carrying amount after loss allowance	1,087,568	945,959	1,230,961
Off Balance Sheet exposure			
Financial guarantee contracts			
Gross Carrying Amount	2,180	6,000	4,000
Loss Allowance	(50)	(31)	(1)
Carrying Amount After Loss Allowance	2,130	5,969	3,999
Off Balance Sheet exposure			
Letter of credit confirmation / acceptance			
Gross Carrying Amount	56,800	55,500	28,000
Loss Allowance	(88)	(1)	(6)
Carrying Amount After Loss Allowance	56,712	55,499	27,994
Liquidity as a service			
Gross Carrying Amount	-	-	4,721
Loss Allowance	-	-	(72)
Carrying Amount After Loss Allowance	-	-	4,649
Total Gross Carrying Amount	58,980	61,500	36,721
Total Loss Allowance	(138)	(32)	(79)
Total Carrying Amount After Loss Allowance	58,842	61,468	36,642

Movement in loss allowances across the stages

The tables below analyse the movement of the loss allowance during the year per class of assets.

	2020			2021			2022		
	£'000			£'000			£'000		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loss allowance at beginning of period	93		244	-	20	113	1	-	
Loans expired / closed from previous period	(78)		(125)	-	(20)	(91)	(1)	-	
New loans Issued	217		36	-	-	432	1	-	
Expected credit loss before changes in loss allowance	232		155	-	-	454	1	-	
Change in loss allowance	(20)	20	-	-	-	(1)	-	-	
Transfer to Stage 1			-	-	-	-	-	-	
Transfer to Stage 2	(20)		-	-	-	(1)	-	-	
Transfer to Stage 3			-	-	-	-	-	-	
Transfers in		20	-	-	-	-	1	-	
Adjustments in expected credit loss	12		(42)	1	-	2	-	-	
Loss allowance at end of period	224	20	113	1	-	454	2	-	
Total loss allowance at end of period	244		114			456			

38. Liquidity risk

Information on the policy for liquidity risk is in the Strategic Report.

The liquidity (undiscounted) cashflow profile of the Group's financial assets and financial liabilities (including interest receivable/ payable on maturity) is as follows:

Liabilities 2022

More than Less than	0 months	3 months	1 year	2 years	5 years	Total	Carrying amount
	3 months	1 year	2 years	5 years			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer accounts	1,134,194	171,357	-	-	-	1,305,551	1,305,551
Derivative financial instruments	4,520	23	-	-	-	4,543	4,543
Unsettled transactions	25,782	-	-	-	-	25,782	25,782
Other liabilities**	5,553	-	-	-	-	5,553	5,553
Provisions	79	-	-	-	-	79	79
Lease liabilities	108	359	346	468	-	1,281	1,281
Accruals	19,364	-	-	-	-	19,364	19,364
	1,190,600	171,739	346	468	-	1,362,153	1,362,153

Assets 2022

More than Less than	0 months	3 months	1 year	2 years	5 years	Total	Carrying amount
	3 months	1 year	2 years	5 years			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	607,358	-	-	-	-	607,358	607,358
Money market funds	209,486	-	-	-	-	209,486	209,486
Loans and advances on demand to banks	90,209	-	-	-	-	90,209	90,209
Other loans and advances to banks	83,526	12,252	-	-	-	95,778	95,778
Loans and advances to customers	2,134	-	-	-	-	2,134	2,134
Derivative financial assets	6,551	16	-	-	-	6,567	6,567
Unsettled transactions	12,960	-	-	-	-	12,960	12,960
Accrued income (others)	856	-	-	-	-	856	856
Investment in debt securities	101,323	243,385	66,844	10,125	-	421,677	414,061
Investment in equity securities	-	-	-	-	488	488	488
Other assets*					8,037	8,037	8,037
	1,114,403	255,653	66,844	10,125	7,855	1,455,550	1,447,934

Liabilities 2021

	0 months	3 months	1 year	2 years	5 years	Total	Carrying amount
	3 months	1 year	2 years	5 years			
More than Less than	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer accounts	1,128,266	62,461	-	-	-	1,190,727	1,190,727
Derivative financial instruments	7,519	150	-	-	-	7,669	7,669
Unsettled transactions	18,338	--	-	-	-	18,338	18,338
Other liabilities**	5,985					5,985	5,985
Provisions	32	-	-	-	-	32	32
Lease liabilities	80	242	326	171	-	819	819
Accruals	8,659					8,659	8,659
	1,168,879	62,853	326	171	-	1,232,229	1,232,229

Assets 2021

	0 months	3 months	1 year	2 years	5 years	Total	Carrying amount
	3 months	1 year	2 years	5 years			
More than Less than	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	676,492	-	-	-	-	676,492	676,492
Money market funds	336,737	-	-	-	-	336,737	336,737
Loans and advances on demand to banks	106,880	-	-	-	-	106,880	106,880
Other loans and advances to banks	55,109	19,321	-	-	-	74,430	74,430
Derivative financial assets	1,628	13				1,641	1,641
Unsettled transactions	10,767	-	-	-	-	10,767	10,767
Accrued income (others)	1,344					1,344	1,344
Investment in debt securities	30,385	42,952	-	-	-	73,337	73,248
Investment in equity securities	-	-	-	-	382	382	382
Other assets*					3,528	3,528	3,528
	1,219,342	62,286	-	-	3,910	1,285,538	1,285,449

Liabilities 2020

	0 months	3 months	1 year	2 years	5 years	Total	Carrying amount
	3 months	1 year	2 years	5 years			
More than Less than	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer accounts	970,045	99,626	601	-	-	1,070,272	1,070,272
Derivative financial instruments	12,457	1,054				13,511	13,511
Unsettled transactions	2,094	-	-	-	-	2,094	2,094
Other liabilities**	4,666					4,666	4,666
Provisions	137	-	-	-	-	137	137
Lease liabilities	78	155	321	497	-	1,051	1,051
Accruals	6,040					6,040	6,040
	995,517	100,835	922	497	-	1,097,771	1,097,771

Assets 2020

	0 months	3 months	1 year	2 years	5 years	Total	Carrying amount
More than							
Less than	3 months	1 year	2 years	5 years			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	677,864	-	-	-	-	677,864	677,864
Money market funds	52,737	-	-	-	-	52,737	52,737
Loans and advances on demand to banks	74,564	-	-	-	-	74,564	74,564
Other loans and advances to banks	83,283	68,569	-	-	-	151,852	151,852
Derivative financial assets	2,274	291	-	-	-	2,305	2,305
Unsettled transactions	18,273	-	-	-	-	18,273	18,273
Accrued income (others)	893	-	-	-	-	893	893
Investment in debt securities	41,069	121,300	-	-	-	162,369	162,369
Investment in equity securities	-	-	-	-	154	154	154
Other assets*	-	-	-	-	2,037	2,037	2,037
	950,957	189,900	-	-	2,191	1,143,048	1,143,048

Note: since the interest-bearing financial instruments detailed above include interest due on maturity, they do not equate to the statement of financial position exposure.

39. Currency Risk

The Group does not have any structural exposure. The table below shows the Group's transactional currency exposures in its book, i.e. those non-structural exposures that give rise to the net currency gains and losses recognised in the statements of profit or loss and other comprehensive income. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in sterling.

At 31 December 2022, 31 December 2021 and 1 January 2021, these exposures were as follows:

	Net foreign currency monetary (liabilities) / assets in £'000					
	US Dollar	Euro	KES	UGX	Other	Total
2022 Currency						
(Liabilities) / assets	(358,956)	(52,908)	419	390	(1,304)	(412,359)
Net forward purchases / (sales)	360,651	52,007	119	-	5,137	417,914
	1,695	(902)	538	390	3,833	5,555
Change in assets / (liabilities) due to a change in currency value by						
+10% or +1000bps	169	(90)	54	39	383	555
-10% or -1000bps	(169)	90	(54)	(39)	(383)	(555)
2021 Currency						
(Liabilities) / assets	(457,220)	(25,020)	667	582	27,250	(453,741)
Net forward purchases / (sales)	454,842	24,264	(1)	(2)	(25,282)	453,821
	(2,378)	(756)	666	580	1,968	80
Change in assets / (liabilities) due to a change in currency value by						
+10% or +1000bps	(238)	(76)	67	58	197	8
-10% or -1000bps	238	76	(67)	(58)	(197)	(8)
1 January 2021 Currency						
(Liabilities)/assets	(477,084)	(23,956)	(4,656)	(6,768)	1,696	(510,768)
Net forward purchases / (sales)	475,035	21,871	4,593	6,759	2,027	510,285
	(2,049)	(2,085)	(63)	(9)	3,723	(483)
Change in assets / (liabilities) due to a change in currency value by						
+10% or +1000bps	(205)	(209)	(6)	(1)	372	(48)
-10% or -1000bps	205	209	6	1	(372)	48

An analysis of the total statement of financial position, split between British pound sterling and other currencies, is as follows:

	2020 £'000	2021 £'000	2022 £'000
Assets			
Denominated in sterling	707,304	735,903	727,660
Denominated in other currencies	464,424	579,702	757,134
	1,171,728	1,315,605	1,484,794
Liabilities and Equity			
Denominated in sterling	194,371	281,881	317,550
Denominated in other currencies	977,357	1,033,724	1,167,244
	1,171,728	1,315,605	1,484,794

A 10% appreciation in the value of British pound sterling against all other currencies would decrease the Group's profit or loss value by £668k as at 31 December 2022 (2021: £39K, 2020: +£116K).

40. Interest rate risk

Interest rate sensitivity

Part of the Group's return on financial instruments is obtained from controlled mismatching of the dates on which the instruments mature or, if earlier, the dates on which interest receivable on financial assets and interest payable on financial liabilities are next reset to market rates. The table below summarises these re-pricing mismatches on the Group's book as at 31 December 2022. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. All the financial assets / financial liabilities are based on fixed interest. The repricing table therefore is prepared on the basis that maturity date equals repricing date. It should be noted that the Group manages its interest rate risk on a behavioural basis where a portion of customer deposits are treated as being rate insensitive.

Interest Rate Repricing

	Consolidated £'000					Total
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	
2022						
Assets						
Cash and balances at central banks	607,358	-	-	-	-	607,358
Money market funds	209,486	-	-	-	-	209,486
Loans and advances on demand to banks	90,209	-	-	-	-	90,209
Other loans and advances to banks	83,526	12,252	-	-	-	95,778
Loans and advances to customers	2,134	-	-	-	-	2,134
Derivative financial assets	6,551	16	-	-	-	6,567
Unsettled transactions	12,960	-	-	-	-	12,960
Accrued income	-	-	-	-	856	856
Investment in debt securities	98,675	64,460	175,103	75,823	-	414,061
Investments in equity securities	-	-	-	-	488	488
Other assets*	-	-	-	-	7,367	7,367
Total assets	1,110,899	76,728	175,103	75,823	8,711	1,447,264

Interest Rate Repricing

	Consolidated £'000					
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	Total
2022						
Liabilities						
Customer accounts	1,134,309	128,369	42,873	-	-	1,305,551
Derivative financial liabilities	4,520	23	-	-	-	4,543
Unsettled transactions	25,782	-	-	-	-	25,782
Other liabilities**	-	-	-	-	5,551	5,551
Provisions	-	-	-	-	79	79
Accruals	-	-	-	-	19,364	19,364
Shareholders' funds					114,191	114,191
Total liabilities	1,164,611	128,392	42,873	-	139,185	1,475,061
Interest rate sensitivity gap	(53,712)	(51,664)	132,230	75,823	(130,076)	
Cumulative gap	(53,712)	(105,376)	26,854	102,677	(27,399)	

Interest Rate Repricing

	Consolidated - £'000					
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	Total
2021						
Assets						
Cash and balances at central banks	676,492	-	-	-	-	676,492
Money market funds	336,737	-	-	-	-	336,737
Loans and advances on demand to banks	106,880	-	-	-	-	106,880
Other loans and advances to banks	55,109	19,321	-	-	-	74,430
Derivative financial assets	1,628	13	-	-	-	1,641
Unsettled transactions	10,767					10,767
Accrued income					1,344	1,344
Investment in debt securities	30,263	42,985	-	-	-	73,248
Investment in equity securities	-	-	-	-	382	382
Other assets*					2,037	2,037
Total assets	1,217,876	62,319	-	-	3,763	1,283,958

Interest rate repricing

	Consolidated £'000					Total
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	
2021						
Liabilities						
Customer accounts	1,128,431	48,331	13,965	-	-	1,190,727
Derivative financial liabilities						
Unsettled transactions	18,338	-	-	-	-	18,338
Other liabilities**					5,985	5,985
Provisions					32	32
Accruals					8,659	8,659
Shareholders' funds					79,728	79,728
Total liabilities	1,146,769	48,331	13,965	-	94,404	1,303,469
Interest rate sensitivity gap	71,107	13,988	(13,965)	-	(90,242)	
Cumulative gap	71,107	85,095	71,130	71,130	(19,112)	

Interest Rate Repricing

	Consolidated - £'000					Total
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	
2020						
Assets						
Cash and balances at central banks	677,864	-	-	-	-	677,864
Money market funds	52,737	-	-	-	-	52,737
Loans and advances on demand to banks	74,564	-	-	-	-	74,564
Other loans and advances to banks	83,283	49,807	18,762	-	-	151,852
Derivative financial assets	2,274	29	-	-	-	2,303
Unsettled transactions	18,273	-	-	-	-	18,273
Accrued income					893	893
Investment in debt securities	41,069	53,187	68,113	-	-	162,369
Investment in equity securities	-	-	-	-	154	154
Other assets*					2,037	2,037
Total assets	950,064	103,025	86,875	-	3,084	1,143,048

Interest rate repricing

	Consolidated £'000					Total
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	Non-interest bearing	
2020						
Liabilities						
Customer accounts	970,045	66,785	32,851	591	-	1,070,272
Derivative financial liabilities	12,457	1,054				13,511
Unsettled transactions	2,094					2,094
Other liabilities**					4,563	4,563
Provisions					137	137
Accruals					6,040	6,040
Shareholders' funds					71,161	71,161
Total liabilities	984,596	67,839	32,851	591	81,901	1,167,778
Interest rate sensitivity gap	(34,532)	35,186	54,024	(591)	(78,417)	
Cumulative gap	(34,532)	654	54,678	54,087	(24,330)	

Following a parallel shift in interest rates, the Group's net asset value and profit would change as follows:

	2022 £'000	2021 £'000	1 January 2021 £'000
Parallel Shift			
+ 200bp	(58)	27	(287)
- 200bp	45	(28)	299

41. Capital management

Capital risk is the risk that the Group has insufficient capital resources to meet the minimum regulatory requirements in all jurisdictions where regulated activities are undertaken, to support its credit rating and to support its growth and strategic options.

Capital risk management

As with liquidity and market risks the Assets & Liabilities Committee (ALCO) is responsible for ensuring the effective management of capital risk throughout the Group. Specific levels of authority and responsibility in relation to capital risk management have been assigned to the appropriate committees.

Externally imposed capital requirements

Aside from the Company, entities within the Group are subject to regulatory requirements (on an entity and / or a consolidated basis) imposed by the PRA and / or the FCA. Such regulations include the requirement, at all times, to carry sufficient regulatory capital to meet the underlying capital requirements.

Capital risk is measured and monitored using limits set in relation to capital (Common Equity Tier 1 (CET1); Tier 1; and Total Capital) and leverage, all of which are calculated in accordance with relevant regulatory requirements.

The Group's regulatory capital consists solely of Common Equity Tier 1 (CET 1) capital which includes ordinary share capital, retained earnings, reserves (excluding NCI) and deductions for goodwill, intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

	Consolidated		
	2020 £'000	2021 £'000	2022 £'000
Tier 1 capital-CET1			
Ordinary share capital	67,510	68,010	68,010
Retained earnings	1,138	8,870	40,299
Other reserves	(2,170)	(2,270)	(1,870)
Investment valuation reserve	21	30	97
Translation reserve	1	(142)	(31)
Deductions:			
Intangible assets	(22,733)	(22,663)	(22,624)
Deferred tax other than temporary differences	-	-	-
Other regulatory adjustments under Basel III	(2,429)	-	(2,534)
Total Tier 1 capital-CET1	41,338	51,835	81,347
Additional Tier 1 (AT1) Capital	-	-	-
Capital instruments	-	-	-
Regulatory adjustments	-	-	-
Total AT1 Capital	-	-	-
Total Tier 1 Capital	41,338	51,835	81,347
Risk Weighted Assets			
Credit risk	121,256	108,453	137,352
Market risk	9,858	8,759	8,144
Operational risk	62,502	79,513	126,216
Total RWAs	193,616	196,725	271,712
Key Capital Ratios			
CET1	21.4%	26.3%	29.9%
Tier 1	21.4%	26.3%	29.9%
Total Capital	21.4%	26.3%	29.9%
Leverage ratio	4.0%	4.1%	6.3%

The Group's capital plans are developed with the objective of maintaining capital that is adequate in quantity and quality to support the Group's risk profile, regulatory and business needs. As a result, the Group holds a diversified capital base that provides strong loss absorbing capacity and optimised returns. Capital forecasts are continually monitored against relevant internal target capital ratios to ensure they remain appropriate and consider risks to the plan including possible future regulatory changes.

The Group and its individually regulated operations have complied with all externally imposed capital requirements and internal and external stress testing requirements.

In order to do so, the regulated trading subsidiaries calculate those capital requirements on a daily basis and, using a traffic light warning system based on an internal buffer, reports to the Assets & Liabilities Committee, or, should the need arise, the Board.

The Group manages its capital on a consolidated basis with no consideration of companies outside the Group.

The Group manages capital risk on an ongoing basis through other means such as:

- Stress testing: internal Group-wide stress testing is undertaken to quantify and understand the impact of sensitivities on the capital plan and capital ratios arising from stressed macroeconomic conditions. Reverse stress testing is also performed to identify the extent of stress that could be survived before limits are breached. In addition to internal stress testing, the Group also undertakes stress tests required by regulatory authorities.
- Risk mitigation: as part of the stress testing process, actions are identified that should be taken to mitigate the risks that could arise in the event of material adverse changes in the current economic and business environment.

- Senior management awareness and transparency: Capital management information is readily available at all times to support the Group's executive management's strategic and day-to-day business decision making, as may be required..

During 2022, the Group's strategy was unchanged from 2021 and 2020.

Full details of the capital adequacy requirements for each of the Group's regulated entities are provided in its Pillar 3 disclosures which can be found on the website of Crown Agents Bank Limited (www.crownagentsbank.com). These disclosures are not audited.

Capital management in relation to the Company

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2021. The Company is not subject to any externally imposed capital requirements.

The capital structure of the Company consists of equity (called-up share capital, retained earnings and shareholder's funds as disclosed in notes 27 and 29).

42. Classification of financial instruments

The carrying values of the financial assets and financial liabilities are summarised by category below:

	2020	2021	2022
	£'000	£'000	£'000
Financial Assets			
Measured at fair value through statement of comprehensive income			
Money market funds	52,738	336,737	209,486
Derivative financial instruments - foreign exchange related contracts	2,305	1,641	6,590
Measured at amortised cost			
Cash and balances at central banks	677,864	676,492	607,358
Loans and advances	226,417	181,310	188,121
Investment in debt securities	162,369	73,248	414,061
Unsettled transactions and other assets	22,676	18,570	32,097
Accrued income (others)	893	1,344	856
Measured at fair value through other comprehensive income			
Investment in equity securities	154	382	488
Financial liabilities			
Measured at fair value through statement of comprehensive income			
Derivative financial instruments - foreign exchange related contracts	13,511	7,669	4,565
Measured at amortised cost			
Customer accounts	1,072,794	1,192,725	1,307,698
Lease Liability	1,051	819	1,281
Other liabilities (excluding accruals)	5,337	7,231	11,518
Accruals	6,040	8,659	19,364

43. Fair value measurement

Fair value methodology:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Group applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases, management estimate unobservable market inputs within the valuation model. There is no standard model and different assumptions would generate different results. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments that are measured at fair value into the three levels of fair value hierarchy explained further below, based on the lowest level input that is significant to the entire measurement of the instrument.

Fair value hierarchy:**Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities**

Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivative financial instruments) 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 such an instrument are observable, the instrument is included in level 2.

Fair values of derivative financial instruments (foreign exchange contracts), money market funds, Investment in equity securities and Investment in debt securities are included in level 2.

Investment in equity securities

Money market funds and exchange traded funds are valued at fair value based on the price a willing buyer would pay for the asset. Any gain or loss is taken through the profit and loss account. The money market funds include contractual terms such that they are traded at par until the total market value of the underlying instruments deviates from that par value by a certain amount (typically 20bps). The funds have each traded at par at all times since the initial investment by the Group.

The fair value of the Group's Investment in debt securities is determined by using discounted cash flow models that use market interest rates as at the end of the period.

Level 3 – Unobservable inputs for the asset or liability

Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The Group did not have any such instruments.

There were no transfers between fair value hierarchy level during period. There were no changes in valuation techniques used during the period.

Financial assets & liabilities categorised at Level 2 Fair value hierarchy

Financial Assets at Fair Value:	Valuation techniques	Inputs (including any significant unobservable inputs)
Derivative financial assets	The Mark-to-Market calculation for FX Forwards is performed within CBS based on market inputs pulled from Reuters at the end of each trading day. CBS applies a straight-line interpolation calculation to derive the requisite forward points for each currency based on the maturity date of the transaction – these points are added to the spot rate to derive a revaluation rate.	Reuters quoted spot rates and forward points
Money market funds	Valuation based on quoted market prices	Quoted market prices but not for identical assets
Investment in equity securities	Equity investment held in illiquid security. In order to undertake its business, the Group utilises the Swift payment system, the conditions of which oblige participants to invest in the shares of Swift, in proportion to participants' financial contributions to Swift. The fair value is calculated annually based on price received from Swift and is approved annually at AGM	The fair value is calculated annually based on price received from Swift and is approved annually at AGM.
Derivative financial liabilities	The MTM calculation for FX Forwards is performed within CBS based on market inputs pulled from Reuters at the end of	Reuters quoted spot rates and forward points

Financial Assets at Fair Value:	Valuation techniques	Inputs (including any significant unobservable inputs)
	<p>each trading day.</p> <p>CBS applies a straight-line interpolation calculation to derive the requisite forward points for each currency based on the maturity date of the transaction – these points are added to the spot rate to derive a revaluation rate.</p>	

Financial assets and financial liabilities at fair value through comprehensive income

Forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies with movements recognised at fair value through profit or loss.

Any gain or loss is taken through the consolidated statement of comprehensive income.

Amounts recognised in the consolidated statement of comprehensive income

The gains, losses, and changes in fair values of financial assets at FVTCI recorded in the consolidated statement of comprehensive income is as follows:

	2020 £'000	2021 £'000	2022 £'000
Revaluation of money market funds:	-	(121)	-
Fair value gain or loss on forward foreign exchange contracts*	14,791	28,738	63,080

* the (loss) / gain on the FX contracts typically offsets the gain / loss of a similar magnitude following the revaluation of non £ denominated assets / liabilities on the statement of financial position throughout the year.

Fair values of financial assets that are measured at amortised cost

Apart from the fixed rate bonds, the carrying amounts of financial assets and liabilities measured at amortised cost are approximately the same as their fair values due to their short-term nature. The fair value of the fixed rate bonds is provided below.

Impairment and risk exposure

Information about the impairment of financial assets, their credit quality and the Group's exposure to credit risk can be found in the accounting policy note for financial instruments and Note 37.

Financial liabilities measured at amortised cost

The carrying amounts of financial liabilities at amortised cost are approximately the same as their fair values due to their short-term nature.

The valuation levels of the financial assets and financial liabilities accounted for at fair value are as follows:

Asset /liability type - 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Derivative financial assets	-	2,303	-
- Money market funds	-	52,738	-
- Investment in equity securities	-	154	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	13,511	-

	Level 1	Level 2	Level 3
	£'000	£'000	£'000
Asset / Liability Type - 2021			
Financial Assets at Fair Value			
- Derivative financial assets	-	1,641	-
- Money market funds	-	336,737	-
- Investment in equity securities	-	382	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	7,669	-
Asset / Liability type - 2022			
Financial Assets at Fair Value			
- Derivative financial assets	-	6,589	-
- Money market funds	-	209,486	-
- Investment in equity securities	-	488	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	4,565	-

These are all recurring fair value measurements.

Fair value and carrying amount of Investment in debt securities

	£'000					
	2020		2021		2022	
	Carrying		Carrying		Carrying	
	Value	Fair Value	Value	Fair Value	Value	Fair Value
Fixed rate bonds	161,568	161,849	72,906	72,848	411,528	407,525
-US Treasury Bills (excluding accrued interest)	90,519	99,677	7,642	7,528	66,207	65,636
- Other fixed rate bonds (excluding accrued interest)	71,049	62,172	65,265	65,320	345,321	341,889
- Accrued interest	801	801	342	342	2,533	2,533
At 31 December	162,369	162,650	73,249	73,190	414,061	410,058

These are all recurring fair value measurements.

Note: The fair values of the fixed rate bond are based on market quoted prices. They are classified as level 1 fair values in the fair value hierarchy due to the liquid nature of the bond holdings, having observable and transparent secondary market pricing.

44. Events after the reporting date

The transaction to dispose of CAIM and JCF was completed on 31 March 2023, of which details have been included at Note 1. CAB Payments Holdings Limited, the Company, declared dividends to its shareholders amounting to £5,587k on 26 April 2023 and £5,713k on 1 June 2023. (31 December 2022: nil, 31 December 2021: nil and 31 December 2020: nil). There are no other non-adjusting events after the reporting period.



The Directors
CAB Payments Holdings Limited
Quadrant House
The Quadrant
Sutton
SM2 5AS

8 June 2023

Dear Directors

Review Report on Interim Financial Information

Conclusion

We have reviewed the interim condensed consolidated statement of financial position as at 31 March 2023 of CAB Payments Holdings Limited and its subsidiaries (excluding those set out in Note 1(b) of the Interim Financial Information) (the "**Group**"), and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended and the related notes (the "**Interim Financial Information**"). We have not audited or reviewed the financial information for the three-month period ended 31 March 2022 which has been included for comparative purposes only and accordingly do not express an opinion thereon.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information does not present fairly, in all material respects, the financial position of the Group as at 31 March 2023, and of its financial performance and its cash flows for the three-month period then ended in accordance with the basis of preparation as set out in Note 1(b) of the Interim Financial Information.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK), Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("**ISRE 2410**").

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE 2410, however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of directors

The directors of the Company (the "**Directors**") are responsible for the preparation and fair presentation of the Interim Financial Information in accordance with the basis of preparation as set out in Note 1(b) of the Interim Financial Information. In preparing the Interim Financial Information, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the Interim Financial Information, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the Interim Financial Information. Our conclusion, including our Conclusions

Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 1.2 of Annex 1 to the UK version of Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Commission, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (the “**Prospectus Regulation**”) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the Prospectus Regulation, consenting to its inclusion in the Registration Document.

Declaration

For the purposes of item 1.2 of Annex 1 to the Prospectus Regulation, we are responsible for this report as part of this Registration Document and we declare that, to the best of our knowledge, the information contained in this report, for which we are responsible, is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Registration Document in compliance with item 1.2 of Annex 1 to the Prospectus Regulation.

Yours faithfully

/s/ Mazars LLP

Mazars LLP

(D) Interim Financial Information

Interim condensed consolidated statement of profit or loss and other comprehensive income for the 3 months ended 31 March 2023

		3 months ended 31 March	
	Note	2022	2023
		£'000	£'000
Continuing operations			
Interest income			
- interest income calculated using Effective Interest Rate (EIR)	4	1,384	11,357
- other interest and similar income	4	4	90
Interest expense	4	(290)	(6,033)
Net interest income		1,098	5,414
Gains on Money Market Funds		33	1,907
Net (loss)/ gain on financial assets mandatorily held at fair value through profit or loss		(100)	568
Fees and commission income	5	3,399	3,517
Net foreign exchange gain	6	12,414	29,854
Revenue, net of interest expense		16,844	41,260
Other operating (loss) / income		-	-
Total income, net of interest expense		16,844	41,260
Operating expenses		(12,368)	(22,561)
- Recurring	7	(12,368)	(16,342)
- Non-recurring	7	-	(6,219)
Impairment loss on financial asset at amortised cost		(85)	(46)
Profit before taxation		4,391	18,653
Tax expense	8	(951)	(4,514)
Profit for the period from continuing operations		3,440	14,139
Total profit attributable to:			
Profit for the period attributable to:			
- Owners of the parent		3,218	13,165
- Non-controlling interests		222	974
		3,440	14,139
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange gains/ (losses) on translation of foreign operations		60	(64)
Other comprehensive income for the period net of tax		60	(64)
Total comprehensive income for the period		3,500	14,075
Total comprehensive income attributable to:			
- Owners of the parent		3,274	13,105
- Non-controlling interests		226	970
		3,500	14,075

Interim condensed consolidated statement of financial position as at 31 March 2023

	Note	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Assets			
Cash and balances at central banks	9	607,358	661,598
Money market funds	19	209,486	103,281
Loans and advances on demand to banks	10	90,209	81,314
Other loans and advances to banks	10	93,164	77,539
Loans and advances to customers	10	4,748	4,508
Derivative financial assets	11	6,590	10,180
Unsettled transactions	13	12,960	21,732
Accrued income	19	856	815
Investment in debt securities	12	414,061	480,786
Investment in equity securities	19	488	484
Other assets	13	19,537	9,779
Property, plant and equipment	14	1,579	1,451
Right of use assets		1,134	1,024
Intangible assets	15	22,624	22,385
Total assets		1,484,794	1,476,876
Liabilities			
Customer accounts	19	1,307,698	1,283,770
Derivative financial liabilities	11	4,565	17,689
Unsettled transactions	16	25,782	20,706
Other liabilities	16	11,518	7,893
Provisions		79	7
Lease liabilities		1,281	1,122
Deferred tax liability		316	230
Accruals	16	19,364	17,039
Total liabilities		1,370,603	1,348,456
Equity			
Called up share capital	17	68,010	68,010
Retained earnings		40,299	53,557
Investment revaluation reserve		97	97
Other reserves		(1,870)	(1,870)
Foreign currency translation reserve		(31)	(91)
Equity attributable to owners of the parent		106,505	119,703
Non-controlling interests		7,686	8,717
Shareholders' funds		114,191	128,420
Total Equity and Liabilities		1,484,794	1,476,876

Interim condensed consolidated statement of changes in equity for the 3 months ended 31 March 2023

	Attributable To Equity Holders of The Company							Total Shareholders' Funds
	Share Capital	Retained Earnings	Other Reserves	Investment revaluation reserve	Foreign currency translation reserve	Total	Non-Controlling Interest (NCI)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
At 1 January 2022	68,010	8,870	(2,270)	30	(142)	74,498	5,230	79,728
Profit for the period	-	3,218	-	-	-	3,218	222	3,440
Other comprehensive income								
Foreign exchange gains / (losses) on translation of foreign operations	-	-	-	-	56	56	4	60
Other comprehensive income/ (loss)	-	-	-	-	56	56	4	60
Total comprehensive income/ (loss)		3,218	-	-	56	3,274	226	3,500
Transactions with owners in their capacity as owners:								
Share based payment reserve	-	97	-	-	-	97	-	97
Other movements in reserves	-	93	-	-	-	93	19	112
Other movements in retained earnings	-	(2)	-	-	-	(2)	3	1
Total	-	188	-	-	-	188	22	210
At 31 March 2022	68,010	12,276	(2,270)	30	(85)	77,960	5,478	83,438
At 1 January 2023	68,010	40,299	(1,870)	97	(31)	106,505	7,686	114,190
Profit for the period	-	13,165	-	-	-	13,165	974	14,139
Other comprehensive income								
Foreign exchange gains / (losses) on translation of foreign operations	-	-	-	-	(60)	(60)	(4)	(64)
Other comprehensive income/ (loss)	-	-	-	-	(60)	(60)	(4)	(64)
Total comprehensive income/ (loss)	-	13,165	-	-	(60)	13,105	970	14,075
Transactions with owners in their capacity as owners:								
Share based payment reserve	-	97	-	-	-	97	-	97
Other movements in reserves	-	25	-	-	-	25	32	57
Other movements in retained earnings	-	(29)	-	-	-	(29)	29	-
Total	-	93	-	-	-	93	61	154
At 31 March 2023	68,010	53,557	(1,870)	97	(91)	119,703	8,717	128,420

Interim condensed consolidated statement of cash flows for the 3 months ended 31 March 2023

	Note	3 months ended 31 March	
		2022 £'000	2023 £'000
Net cash outflow from operating activities	18	(179,979)	(61,090)
Tax paid		-	(6,310)
Payments for interest on lease liabilities		(5)	(18)
Net cash used in operating activities		(179,984)	(67,418)
Cash flow from investing activities			
Purchase of property, plant and equipment		(57)	(86)
Purchase of intangible assets		(811)	(934)
Net cash used in investing activities		(868)	(1,020)
Cash flow from financing activities			
Repayment of principal portion of the lease liability		(84)	(177)
Increase in overdraft accounts		5	-
Net cash outflow from financing activities		(79)	(177)
Decrease in cash and cash equivalents		(180,931)	(68,615)
Cash and cash equivalents at the beginning of the period		1,120,109	907,053
- Cash and balances at central banks		676,492	607,358
- Money market funds		336,737	209,486
- Loans and advances on demand to banks		106,880	90,209
Exchange gains on cash and cash equivalents		39,943	7,755
Cash and cash equivalents at the end of the period	9	979,121	846,193
- Cash and balances at central banks		670,550	661,598
- Money market funds		221,024	103,281
- Loans and advances on demand to banks		87,547	81,314

Notes to the interim condensed consolidated financial information for the 3 months ended 31 March 2023

1. SUMMARY OF STATEMENT OF ACCOUNTING POLICIES

(a) General Information

On 6 March 2023 the company changed its name to CAB Payments Holdings Limited from CABIM Limited in order to align with its strategic objectives.

CAB Payments Holdings Limited is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS.

The Company and its subsidiaries (excluding those set out in Note 1(b) below) (the "Group") provide regulated banking services that connect emerging and frontier markets to the rest of the world, using FX and payments technology.

(b) Basis of Preparation

The Interim Financial Information comprises the interim condensed consolidated statements of profit or loss and other comprehensive income, interim condensed consolidated statement of financial position, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and notes of the Group for the 3 months ended 31 March 2023 ("Interim Financial Information").

The Interim Financial Information has been prepared specifically for the purposes of this document and does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006.

The Interim Financial Information for 3 months period ended 31 March 2023 has been prepared in accordance with the requirements of the UK Prospectus Regulation, the Listing Rules and in accordance with this basis of preparation.

The Interim Financial Information should be read in conjunction with the Consolidated Historical Financial Information for the three years ended 31 December 2022 from which the comparative information as at 31 December 2022 has been derived. The 31 March 2022 comparative information has not been audited or reviewed by the auditor.

The Interim Financial Information has been prepared on a going concern basis. In assessing going concern, the Directors take into account all factors likely to affect the future performance and financial position, including the Group's cash flows, solvency and liquidity positions and all the risks and uncertainties relating to business activities.

In making this assessment, the key factors considered by the Directors were:

- (a) Uncertainty inherent in future financial forecasts, projections of working capital requirements and short-term working capital management requirements; and
- (b) The impact of the competitive environment within which the Group's business operate.

Having considered all the factors above impacting the Group's business, including downside sensitivities, the Directors are satisfied that the Group has adequate resources to continue its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing its Interim Financial Information.

The results for the period of ownership of the investments listed below have not been included in the Interim Financial Information because these entities and investments will not be part of the Group at the date of the initial public offering. Therefore in accordance with accounting conventions commonly used for the preparation of Interim Financial Information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on Interim Financial Information) issued by the Financial Reporting Council they have been carved out from the Interim Financial Information because the Directors believe it provides more meaningful financial information to investors on the consolidated historical financial performance of the on-going Group. The exclusion of these investments has been recorded as an Other Reserves in the interim condensed consolidated statement of changes in equity. The specific investments excluded are listed below:

- (a) Crown Agents Investment Management Limited (referred to as 'CAIM') was controlled by the Group until 31 March 2023. The company reported a gain on disposal of £55,179 on completion of the disposal of CAIM. The Interim Financial Information excludes the results of CAIM for all periods prior to its sale.
- (b) JCF Nominees Limited (referred to as 'JCF') was controlled by the Group until 31 March 2023. The Interim Financial Information excludes the results of JCF for all periods prior to its sale.

With the exception of the requirements of IFRS 10 Consolidated Financial Statements in relation to the non-

consolidation of CAIM and JCF, as referred to above, the accounting policies adopted are those to be applied in the next statutory financial statements for the year ending 31 December 2023 (being prepared in accordance with UK-adopted IFRS). The accounting policies and presentation applied by the Group are consistent with those applied in the Consolidated Historical Financial Information.

The Interim Financial Information is presented in British Pound Sterling ("GBP"), all values are rounded to the nearest thousand (GBP £'000), except when otherwise indicated.

(c) Going concern

The Directors have considered the financial position of the Group, including the net asset position, regulatory capital requirements and estimated future cash flows and have concluded that the Group will be able to meet its obligations for at least a period of 12 months from the date of this document. Furthermore, the Directors are of the view that:

- (a) there are no material uncertainties relating to events or conditions that cast significant doubt on the Group's ability to continue as a going concern;
- (b) there are no significant judgements made by management in determining whether or not the adoption of the going concern is appropriate; and
- (c) there are no material uncertainties to disclose in respect of going concern.

(d) New and revised IFRS accounting standards in issue but not yet effective

At the date of authorisation of the Interim Financial Information the Group has not applied the following new and revised IFRS that have been issued but are not yet effective.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current effective 1 January 2024
---------------------	--

The directors do not expect that the revision of the Standard listed above will have a material impact on the Interim Financial Information of the Group in future periods.

2. CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE ACCOUNTING POLICY

In preparing the Interim Financial Information, management has made judgements and estimates that affect the application of accounting policies and the reported figures. Management assessed that there were no material changes in the current period to the critical accounting estimates and judgements, as disclosed in note 3 in the Consolidated Historical Financial Information.

3. SEGMENT REPORTING

The Group provides Foreign Exchange Transaction (FX) and payments services to OECD organisations, by selling over 100 currencies over the period, through buying currencies from Liquidity Providers in those regions.

Operating Segments are determined by the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Group's Executive Committee. The information regularly reported to the executive committee for the purposes of resource allocation and the assessment of performance, is based wholly on the overall activities of the Group. Based on the Group's business model, the Group has determined that it has only one reportable segment.

The CODM assess the profitability of the segment based on a measure of adjusted EBITDA.

All revenue from external customers is generated through the UK and on that basis is wholly attributable to the UK and all non-current assets, other than financial instruments and deferred tax assets, are located in the UK.

Income

The Group derives its income from the provision of the following services:

	3 months ended 31 March	
	2022 £'000	2023 £'000
Continuing operations Revenue by Product Type:		
FX Revenue	9,090	24,187
Payments Revenue	6,600	9,066
Banking Services	1,154	8,007
Total Income, net of interest expense	16,844	41,260
Other comprehensive income for the period:		
Foreign exchange gains/ (losses) on translation of foreign operations	60	(64)
Sub total	16,904	41,196
Less Clearing costs	(433)	(464)
Less Other costs of sales	(33)	-
Net Revenue, net of interest expense	16,438	40,732

Segment Reporting

FX total income: The Group's FX revenue is derived from the difference between the exchange rate the Group makes available to its customers and the rate that it receives from one or more liquidity providers from whom it sources the relevant currency. Revenue categorized as FX is from customers with a need to exchange a bulk amount from one currency for another without onward payment to another party.

Payments total income: The Group's Payments revenue include cross currency payments, same currency payments (corresponding activity income, and account management fees), pension payments and platform revenue. Cross currency payments comprise margin derived from bid-ask spreads on foreign currency conversion and fees paid by customers to transfer money from one country to another to third parties.

Same currency relates to payment services provided for payments transacted without an exchange of foreign exchange, largely relating to major market currency clearing, and includes fees for account management activities and payments execution. Pension payments fees relate to amounts earned on processing of pension scheme foreign exchange payments. Platform revenue relates to recurring fixed fees rather than fees earned on transaction volumes.

Banking Services: The Group also generates income from trade finance, liquidity services (including trade finance and letters of credit), and risk management consulting fees. As a licensed bank, the Group takes customer funds earmarked for other needs as customer deposits, and makes short-term investment in the money market to generate net interest income.

Profitability

The Group measures profitability for the reporting segment on an Adjusted EBITDA. Adjusted EBITDA is used as a key profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance. Adjusted EBITDA is useful as a measure of comparative operating performance between both previous periods, and other companies as it removes the effect of taxation, depreciation and amortisation, and non-recurring operating expenses, as well as items relating to capital structure.

	3 months ended 31 March	
	2022 £'000	2023 £'000
Profit for the financial period from continuing operations	3,440	14,139
Adjusted for:		
Income tax expense (Note 8)	951	4,514
Amortisation (Note 7)	1,438	1,167
Depreciation (Note 7)	290	324
Non - recurring operating expenses (Note 7)	-	6,219
Adjusted EBITDA*	6,119	26,363

*Adjusted EBITDA – Earnings before Interest (but including net interest income – see note 4), Tax, Depreciation and Amortisation and non-

recurring operating expense

4. NET INTEREST INCOME

INTEREST INCOME

	3 months ended 31 March	
	2022	2023
	£'000	£'000
Interest on cash and balances at central banks	735	6,470
Interest on loans and advances	476	1,186
Interest on investment in debt securities	173	3,701
Total interest income calculated using EIR	1,384	11,357

Other interest income and similar income	4	90
Total other interest and similar income	4	90

INTEREST EXPENSE

Financial liabilities measured at amortised cost	(287)	(5,990)
Interest expense on lease liabilities	(3)	(17)
Other interest expense	-	(26)
Total interest expense	(290)	(6,033)

TOTAL NET INTEREST INCOME	1,098	5,414
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5. FEES AND COMMISSION INCOME

	3 months ended 31 March	
	2022	2023
	£'000	£'000
Fees and commission income:		
Account management and payments	2,699	2,857
Pension payment fees	269	268
Trade finance	123	118
Electronic platform fees	273	178
Risk assessment services	34	96
Total fees and commission income	3,399	3,517

6. NET FOREIGN EXCHANGE GAIN

	3 months ended 31 March	
	2022	2023
	£'000	£'000
Profit on settlement of foreign exchange contracts, fair value gains on derivatives*, and remeasurement of non-sterling balances	9,090	24,124
Foreign exchange gains on payment transaction revenue	3,324	5,730
Total	12,414	29,854

*Foreign exchange derivative financial instruments are mandatorily held at fair value through profit or loss.

7. OPERATING EXPENSES

	3 months ended 31 March	
	2022 £'000	2023 £'000
Staff costs and directors' emoluments		
Salaries and bonuses	5,708	8,123
Share based payments	97	97
Social security costs	494	936
Pension costs	305	472
Total staff costs and directors' emoluments	6,604	9,628
Clearing costs	433	464
Depreciation and amortisation:		
Amortisation of intangible assets	1,468	1,167
Depreciation of property, plant and equipment	214	214
Depreciation charge for right-of-use assets	76	110
Total depreciation and amortisation	1,758	1,491
Other operating expenses*	3,573	4,759
Total recurring operating expenses	12,368	16,342
Non-recurring operating expenses**	-	6,219
Total operating expense	12,368	22,561
Non-recurring operating expenses disaggregate as follows.		
Professional costs regarding review of strategic options	-	6,219
Total Non-recurring operating expenses	-	6,219

* Other operating expenses includes bank charges, software license, and other software services.

** Non-recurring operating expenses consist of material non-recurring items that are considered exceptional in nature by virtue of their size and/or incidence and as a result of arising outside of the normal trading of the Group.

The monthly average number of full-time equivalent staff employed within the Group, including executive directors, was 298 in the 3 months ended 31 March 2023 (3 months ended 31 March 2022: 213).

8. TAX EXPENSE

Analysis of Tax Charge for the Period

	3 months ended 31 March	
	2022 £'000	2023 £'000
Current tax		
Corporation tax based on the taxable profit for the period	951	4,639
Total current income tax for the period	951	4,639
Deferred tax		
Deferred tax credit in profit or loss	-	(125)
Total tax expense in statement of profit or loss	951	4,514
Deferred tax recognised in other comprehensive income	-	-
Total tax charge for the period	951	4,514

Income tax expense for the current period is calculated representing the best estimate of the annual effective tax rate expected for the full year by geographical unit applied to the pre-tax income of the three month period, which is then adjusted for tax on non-recurring costs.

The effective tax rate for the 3 months ended 31 March 2023 is 23.3% (3 months ended 31 March 2022: 21.7%).

The Finance Act 2021 enacted that from 1 April 2023 the main corporation tax rate will increase to 25% (19%

previously). In addition, there is a permanent difference due to banking surcharge levy of 3% (8% previously) in relation to taxable profits of banks in excess of £100 million (£25 million previously) from 1 April 2023. The effects of this increase are reflected in the Interim Financial Information. The figures above incorporate the increased tax rate in respect of timing differences expected to reverse after that date.

9. CASH AND BALANCES AT CENTRAL BANKS

	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Cash and balances at central banks *	607,358	661,598
Less: Impairment loss allowance	-	-
Cash and cash equivalent balances	607,358	661,598

Reconciliation to interim condensed consolidated statement of cash flows

The cash and balances at central banks included in the interim condensed consolidated statement of cash flows are presented as follows:

	As at 31 March 2022 £'000	As at 31 March 2023 £'000
Cash and balances at central banks	670,550	661,598
Loans and advances on demand to banks (Note 10)	87,547	81,314
Money market funds**	221,024	103,281
Cash and cash equivalents per interim condensed consolidated statement of cash flows	979,121	846,193

*There are no restricted cash and balances at central banks.

Cash and balances at central banks and Loans and advances on demand to banks are measured at amortised cost as they meet the Solely Payments of Principal and Interest 'SPPI' criterion and are held to collect the contractual cashflows.

**Money market funds are measured at fair value through profit or loss as they are held for sale and do not meet the hold to collect business model. The funds are all rated AAA based on a basket of credit ratings agencies, all approved by the Financial Conduct Authority.

The carrying amount of these assets is approximately equal to their fair value.

10. LOANS AND ADVANCES ON DEMAND TO BANKS

These are measured at amortised cost as they meet the SPPI criterion and are held to collect the contractual cashflows:

	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Loans and advances		
Loans and advances on demand to banks	90,255	81,358
Other loans and advances to the banks	93,215	77,590
Loans and advances to customers	4,948	4,508
Total	188,418	163,456
Less: Impairment loss allowance		
Loans and advances on demand to banks	(46)	(44)
Other loans and advances to the banks	(51)	(51)
Loans and advances to customers	(200)	-
Total	(297)	(95)

	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Net Loans and advances on demand to banks	90,209	81,314
Net Other loans and advances to the banks	93,164	77,539
Net Loans and advances to customers	4,748	4,508
Net loans and advances	188,121	163,361

Component of loans and advances included in interim condensed consolidated statement of cash flows under:

	As at 31 March 2022 £'000	As at 31 March 2023 £'000
Cash and cash equivalents	87,547	81,314
Total	87,547	81,314

There are no (At 31 December 2022: £nil) amounts included in Loans and advances on demand to banks outstanding as at 31 March 2023 that are overdue.

The Group's Loans and Advances on Demand to Banks include £9,649k of encumbered assets (At 31 December 2022: £1,827k) in relation to derivative contracts with other financial institutions.

11. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 March the derivative assets and liabilities are set out below, these are held to manage foreign currency exposure and are not designated in hedge accounting relationships for risk management purposes:

Foreign Exchange Forwards:	Notional Principal £'000	Assets £'000	Liabilities £'000
As at 31 December 2022	714,810	6,590	4,565
As at 31 March 2023	739,036	10,180	17,698

The forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies. The net unrealised loss at the statement of financial position date is £7,509k (At 31 December 2022: unrealised gain £2,024k). These derivative financial instruments and the underlying transactions they hedge will mature during 2024 (31 December 2022: mature during 2023)

The fair value of a derivative contract represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

12. INVESTMENT IN DEBT SECURITIES

The Group's investment in debt securities consist of fixed rate bonds issued (or guaranteed) by central and private banks. These are measured at amortised costs as they meet the SPPI criterion and are held to collect the contractual cashflows.

	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Investment in debt securities at amortised costs	414,074	480,799
Less: Impairment loss allowance	(13)	(13)
	414,061	480,786

13. OTHER ASSETS AND UNSETTLED TRANSACTIONS

	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Financial assets:		
Staff loans	544	546
Balances with mobile network operators*	3,956	3,686
Other assets	3,599	768
Less impairment loss	(62)	(320)
Total	8,037	4,680
Non-financial assets:		
Transactions debited in error**	8,322	-
VAT refund	914	1,738
Prepayments	2,264	3,361
Total other assets	19,537	9,779

The financial assets are at amortised costs.

* Balances with mobile network operators (MNOs) are due to the Group in respect of mobile money transfer. The Group charges fees for services it provides to aid transfer of funds by its clients to beneficiaries via mobile money using MNOs.

** These balances represent amounts that are debited in advance or error and which will be reversed in the following period.

Unsettled transactions

	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Unsettled transactions**	12,960	21,732

** Unsettled transactions result from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The arising balances are short-term in nature (typically less than four days) and were settled early the following period.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost				
At 1 January 2023	122	2,521	2,204	4,847
Additions	-	71	15	86
At 31 March 2023	<u>122</u>	<u>2,592</u>	<u>2,219</u>	<u>4,933</u>
Accumulated depreciation				
At 1 January 2023	90	1,605	1,573	3,268
Charge to profit or loss	5	105	104	214
At 31 March 2023	<u>95</u>	<u>1,710</u>	<u>1,677</u>	<u>3,482</u>
Net book value				
At 31 December 2022	<u>32</u>	<u>916</u>	<u>631</u>	<u>1,579</u>
At 31 March 2023	<u>27</u>	<u>883</u>	<u>542</u>	<u>1,451</u>

15. INTANGIBLE ASSETS

	Goodwill £'000	Core Accounting Software £'000	Other Software £'000	Brand/ Other £'000	Total £'000
Cost					
At 1 January 2023	7,247	5,301	25,321	1,427	39,296
Additions	-	10	908	15	934
Exchange differences	-	-	(5)	-	(5)
At 31 March 2023	<u>7,247</u>	<u>5,311</u>	<u>26,224</u>	<u>1,442</u>	<u>40,225</u>
Accumulated amortisation					
At 1 January 2023	623	4,004	11,922	123	16,672
Charged in the period	-	185	971	11	1,167
At 31 March 2023	<u>623</u>	<u>4,189</u>	<u>12,893</u>	<u>134</u>	<u>17,839</u>
Net book value					
At 31 December 2022	<u>6,624</u>	<u>1,297</u>	<u>13,399</u>	<u>1,304</u>	<u>22,624</u>
At 31 March 2023	<u>6,624</u>	<u>1,121</u>	<u>13,332</u>	<u>1,308</u>	<u>22,385</u>

16. OTHER LIABILITIES, ACCRUALS AND UNSETTLED TRANSACTIONS

	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Financial liabilities		
Trade creditors	554	159
Funds received in advance	4,988	-
Other creditors	11	2,181
	<u>5,553</u>	<u>2,340</u>
Non -financial liabilities		
Funds received in error*	3,500	-
HM Revenue & Customs	2,412	5,553
Deferred income**	53	-
Total other liabilities	<u>11,518</u>	<u>7,893</u>
Accruals	<u>19,364</u>	<u>17,039</u>
Total other liabilities and accruals	<u>30,882</u>	<u>24,932</u>

* These balances represent amounts that are credited in error and which will be reversed in the following period.

** Deferred income relates to payments that are received from customers before the services are provided to customers.

	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Unsettled transactions	<u>25,782</u>	<u>20,706</u>

Unsettled transactions result from foreign exchange transactions that are delayed due to time differences, public holidays in other countries (where the counterparties are located) or similar operational reasons. The arising balances are short-term in nature (typically less than four days) and were settled shortly after the reporting date.

17. CALLED UP SHARE CAPITAL

	As at 31 December 2022			As at 31 March 2023		
	Nominal value £	Number of shares '000	Share capital, £'000	Nominal value £	Number of shares '000	Share capital, £'000
Class						
Class A	1	68,000	68,000	1	68,000	68,000
Class B	1	10	10	1	10	10
Total		68,010	68,010		68,010	68,010

There was no change to the number of shares authorised, issued and paid for during the period.

There was no change to the nominal value and voting rights.

18. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit before taxation to net cash outflow from operating activities

	3 months ended 31 March	
	2022 £'000	2023 £'000
Profit before taxation	4,391	18,653
Adjusted for non-cash items:		
Effect of currency exchange rate changes	38,897	19,995
Amortisation	1,468	1,167
Depreciation	290	324
Share based payment charge	209	155
Interest accrued on lease liabilities	5	18
Changes in working capital:		
Net decrease in collections/transmissions	(782)	-
Net (decrease) / increase in loans and advances to banks other than on demand	(62,246)	17,661
Net decrease in customer accounts	(28,532)	(53,331)
Net increase in investment in debt securities	(126,929)	(57,629)
Net (increase)/decrease in advances to customers	(603)	240
Net increase in unsettled transactions	(1,939)	(13,848)
Net decrease in other assets	2,371	9,759
Net decrease in other liabilities	(3,327)	(1,971)
Decrease in accrued income	38	43
Decrease in accruals, provisions, and deferred income	(3,290)	(2,325)
Net cash outflow from operating activities	(179,979)	(61,090)

19. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities are summarised by category below:

	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Financial Assets		
Measured at fair value through profit or loss		
Money market funds	209,486	103,281
Derivative financial instruments - foreign exchange related contracts	6,590	10,180
	<u>216,076</u>	<u>113,461</u>
Measured at amortised cost		
Cash and balances at central banks	607,358	661,598
Loans and advances on demand to banks	90,209	81,314
Other loans and advances to banks	93,164	77,539
Loans and advances to customers	4,748	4,508
Investment in debt securities	414,061	480,786
Unsettled transactions	12,960	21,732
Other assets (excluding non-financial assets)	8,037	4,680
Accrued income	856	815
	<u>1,231,393</u>	<u>1,332,972</u>
Measured at fair value through other comprehensive income		
Investment in equity securities	488	484
	<u>488</u>	<u>484</u>
	As at 31 December 2022 £'000	As at 31 March 2023 £'000
Financial Liabilities		
Measured at fair value through profit or loss		
Derivative financial instruments - foreign exchange related contracts	4,565	17,689
	<u>4,565</u>	<u>17,689</u>
Measured at amortised cost		
Customer accounts	1,307,698	1,283,770
Lease liability	1,281	1,122
Other liabilities (excluding non-financial liabilities)	5,553	2,340
Accruals	19,364	17,039
	<u>1,333,896</u>	<u>1,304,271</u>

20. FAIR VALUE MEASUREMENTS

Fair value methodology:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Group applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases, management estimate unobservable market inputs within the valuation model. There is no standard model and different assumptions would generate different results. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments that are measured at fair value into the three levels of fair value hierarchy explained further below, based on the lowest level input that is significant to the entire measurement of the instrument.

Fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivative financial instruments) 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 such an instrument are observable, the instrument is included in level 2.

Fair values of derivative financial instruments (foreign exchange contracts), money market funds, Investment in equity securities and Investment in debt securities are included in level 2.

Investment in equity securities

Money market funds and exchange traded funds are valued at fair value based on the price a willing buyer would pay for the asset. Any gain or loss is taken through the profit and loss account. The money market funds include contractual terms such that they are traded at par until the total market value of the underlying instruments deviates from that par value by a certain amount (typically 20bps). The funds have each traded at par at all times since the initial investment by the Group.

The fair value of the Group's Investment in debt securities is determined by using discounted cash flow models that use market interest rates as at the end of the period.

Level 3– Unobservable inputs for the asset or liability

Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The Group did not have any such instruments.

There were no transfers between fair value hierarchy level during period. There were no changes in valuation techniques used during the period.

Financial assets & liabilities categorised at Level 2 Fair value hierarchy

Financial Assets and Liabilities at Fair Value:	Valuation techniques	Inputs (including any significant unobservable inputs)
Derivative financial assets	The Mark-to-Market calculation for FX Forwards is performed within CBS based on market inputs pulled from Reuters at the end of each trading day. CBS applies a straight-line interpolation calculation to derive the requisite forward points for each currency based on the maturity date of the transaction – these points are added to the spot rate to derive a revaluation rate.	Reuters quoted spot rates and forward points.
Money market funds	Valuation based on quoted market prices.	Quoted market prices but not for identical assets.
Investment in equity securities	Equity investment held in illiquid security. In order to undertake its business, the Group utilises the Swift payment system, the conditions of which oblige participants to invest in the shares of Swift, in proportion to participants' financial contributions to Swift. The fair value is calculated annually based on price received from Swift and is approved annually at AGM.	The fair value is calculated annually based on price received from Swift and is approved annually at AGM.
Derivative financial liabilities	The MTM calculation for FX Forwards is performed within CBS based on market inputs pulled from Reuters at the end of each trading day. CBS applies a straight-line interpolation calculation to derive the requisite forward points for each currency based on the maturity date of the transaction – these points are added to the spot rate to derive a revaluation rate.	Reuters quoted spot rates and forward points.

Financial assets and financial liabilities at fair value through other comprehensive income

Forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies with movements recognised at fair value through profit or loss.

Any gain or loss is taken through the interim condensed consolidated statement of other comprehensive income.

Fair values of financial assets that are measured at amortised cost

Apart from the fixed rate bonds, the carrying amounts of financial assets and liabilities measured at amortised cost are approximately the same as their fair values due to their short-term nature. The fair value of the fixed rate bonds is provided below.

Financial liabilities measured at amortised cost

The carrying amounts of financial liabilities at amortised cost are approximately the same as their fair values due to their short-term nature.

The valuation levels of the financial assets and financial liabilities accounted for at fair value are as follows:

Asset /(Liability) Type – as at 31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Derivative financial assets	-	6,590	-
- Money market funds	-	209,486	-
- Investment in equity securities	-	488	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	(4,565)	-
	<u>-</u>	<u>211,999</u>	<u>-</u>
	<u>-</u>	<u>211,999</u>	<u>-</u>
	<u>-</u>	<u>211,999</u>	<u>-</u>
Asset /(Liability) Type – as at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial Assets at Fair Value			
- Derivative financial assets	-	10,180	-
- Money market funds	-	103,281	-
- Investment in equity securities	-	484	-
Financial Liabilities at Fair Value			
- Derivative financial liabilities	-	(17,689)	-
	<u>-</u>	<u>96,256</u>	<u>-</u>
	<u>-</u>	<u>96,256</u>	<u>-</u>
	<u>-</u>	<u>96,256</u>	<u>-</u>

These are all recurring fair value measurements.

Fair value and carrying amount of Investment in debt securities.

	As at 31 December 2022 £'000		As at 31 March 2023 £'000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate bonds	411,528	407,525	478,974	476,017
-US Treasury Bills (excluding accrued interest)	66,207	65,636	32,269	31,905
- Other fixed rate bonds (excluding accrued interest)	345,321	341,889	446,705	444,112
Accrued interest	2,533	2,533	1,812	1,812
	<u>414,061</u>	<u>410,058</u>	<u>480,786</u>	<u>477,829</u>
	<u>414,061</u>	<u>410,058</u>	<u>480,786</u>	<u>477,829</u>

Note: The fair values of the fixed rate bond are based on market quoted prices. They are classified as level 1 fair values in the fair value hierarchy due to the liquid nature of the bond holdings, having observable and transparent secondary market pricing.

21. TRANSACTION WITH RELATED PARTIES

There have been no material changes to the nature or size of related party transactions since 31 December 2022.

22. EVENTS AFTER THE REPORTING PERIOD

CAB Tech Holdco Limited, a subsidiary of the Company, declared a total dividend of £17,100k on 19 April 2023 (31 March 2022: nil). The dividend per share was £0.26. The amount paid to its external shareholders was £1,540k.

The Company declared dividends to its shareholders amounting to £11,300k in total, being £5,587k on 26 April 2023 and £5,713k on 1 June 2023 (31 March 2022: nil). The dividend per share was £0.08 in each case.

There are no other non-adjusting events after the reporting period.

ADDITIONAL INFORMATION

1. Responsibility

The Directors of the Company, whose names appear on page 26 of this document, and the Company accept responsibility for the information contained in this document and declare that, to the best of the knowledge of the Directors and the Company, the information contained in this document is in accordance with the facts and the document makes no omission likely to affect its import.

2. Incorporation

- 2.1 The Company was incorporated and registered in England and Wales under the name Merlin Holdco (UK) Ltd as a private company limited by shares under the Companies Act 2006 with registered number 09659405 on 26 June 2015. On 10 November 2016, the Company changed its name to CABIM Limited. On 6 March 2023, the Company changed its name again to CAB Payments Holdings Limited. The Company's LEI is 8945007OZHSDN4LW1G21.
- 2.2 The Company's registered office is at Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS, United Kingdom. The Company's telephone number is 020 3903 3000.
- 2.3 The principal laws and legislation under which the Company operates and the Ordinary Shares have been created are the Companies Act 2006 and the regulations made thereunder.
- 2.4 The business of the Company, and its principal activity, is to provide foreign exchange and cross-border payments services to developed markets with emerging and frontier markets.
- 2.5 The statutory auditors of the Company for the year ended 31 December 2020 were PricewaterhouseCoopers LLP, whose address is 1 Embankment Place, WC2N 6RH London, United Kingdom.
- 2.6 The statutory auditors of the Company for the year ended 31 December 2021 and for the year ended 31 December 2022 were Mazars, whose address is 30 Old Bailey, EC4M 7AU London, United Kingdom.

3. Share capital

- 3.1 Immediately prior to the publication of this document, the share capital of the Company was as follows:

	Number	Amount
A Ordinary Shares of £1.00 each	68,000,001	£ 68,000,001
B Ordinary Shares of £1.00 each	10,000	£10,000

- 3.2 The Company was incorporated on 26 June 2015 as a private company limited by shares. The issued share capital at the time of incorporation was £1.00 which was issued to the initial subscriber to the Company's memorandum and subsequently transferred to the Principal Shareholder on 22 January 2016.
- 3.3 Since incorporation, the Company's share capital has been issued in conformity with the laws of England and Wales as follows:
- (a) on 31 March 2016, 38,600,000 A ordinary shares of £1.00 each were issued to the Principal Shareholder;
 - (b) on 16 December 2016, 13,000,000 A ordinary shares of £1.00 each were issued to the Principal Shareholder;
 - (c) on 21 September 2017, 7,400,000 A ordinary shares of £1.00 each were issued to the Principal Shareholder;
 - (d) on 8 December 2017, 8,500,000 A ordinary shares of £1.00 each were issued to the Principal Shareholder;
 - (e) on 29 December 2017, 10,000 B ordinary shares of £1.00 each were issued to JTC Employer Solutions Trustee Limited; and
 - (f) on 10 December 2021, 500,000 A ordinary shares of £1.00 each were issued to the Principal Shareholder.
- 3.4 The Principal Shareholder made the following transfers of A ordinary shares to Eurocomm Holding Limited:
- (a) on 15 September 2017, the Principal Shareholder transferred 771,605 A ordinary shares of £1.00

- each to Eurocomm Holding Limited; and
- (b) on 2 March 2022, the Principal Shareholder transferred 5,668 A ordinary shares of £1.00 each to Eurocomm Holding Limited.

4. **Articles of Association**

The Articles, which were adopted on 25 October 2022, include provisions to the following effect. All capitalised terms in this section are defined in the Glossary unless the context provides otherwise.

4.1 ***Objects***

In accordance with Section 31(1) of the Companies Act 2006, the objects of the Company are unrestricted.

4.2 ***Limited liability***

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

4.3 ***Rights attaching to shares***

(a) *Voting rights of members*

A resolution put to the vote at a general meeting must be decided on a show of hands, unless a poll is duly demanded in accordance with the Articles. A poll may be demanded in advance of the general meeting where it is to be put to the vote, or at a general meeting either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared. A poll may be demanded by the chairman of the meeting, the directors, two or more persons having the right to vote on the resolution, a person or persons representing not less than one tenth of the total voting rights of all the shareholders having the right to vote on the resolution, or a member or members holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A member may appoint a proxy by a written proxy notice. A person entitled to attend, speak or vote at a general meeting remains entitled to do so, even if a valid proxy has been delivered to the Company by or on behalf of that person.

(b) *Capitalisation of reserves*

The Board may, with the authority of an ordinary resolution of the Company: (A) decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and (B) appropriate that sum as capital to the persons who would have been entitled to it if it were distributed by way of dividend and in the same proportions. Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct. A capitalised sum which was appropriated from profits available for distribution may be applied in or towards paying up any amounts unpaid on any existing nil or partly paid shares held by the persons entitled or in paying up new debentures of the Company which are then allotted credited as fully paid to the persons or as they may direct.

(c) *Issue of shares*

Subject to the Articles, but without prejudice to the rights attached to any existing share, the Company may issue shares with such rights or restrictions as determined by ordinary resolution. Shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the holder and the directors may determine the terms, conditions and manner of redemption of such shares.

(d) *Alteration of share capital*

The Articles do not restrict the Company's ability to increase, consolidate or subdivide its share capital. Therefore, subject to the Companies Act 2006, the Company may by ordinary resolution increase, consolidate or sub-divide its share capital.

(e) *Transfer of shares*

A member may transfer all or any of his or her shares by an instrument of transfer in any usual form or any other

form approved by the Directors. An instrument of transfer shall be executed by or on behalf of the transferor. The Directors may refuse to register any instrument of transfer, and, if they do so, must return the instrument of transfer to the transferee with a notice of refusal. No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

(f) *Communications by the Company*

A document or information may be supplied by or to the Company in any way in which the Act provides for documents or information which are authorised or required by any provision of the Act to be sent or supplied by or to the Company.

(g) *General Meetings*

If and for so long as the Company has one member only who is entitled to vote on the business to be transacted at a general meeting, that member present at the meeting is a quorum. If and for so long as the Company has two or more members entitled to vote on the business to be transacted at a general meeting, two of such members are a quorum.

4.4 *Directors*

(a) *Appointment, resignation and termination*

Directors may be appointed by ordinary resolution or by a decision of the Directors.

(b) *Conflicts of Interest*

If a situation (a "**Relevant Situation**") arises in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, the Director must declare the nature and extent of his or her interest to the other Directors. The Directors (other than the Director, and any other Director with a similar interest, who shall not be counted in the quorum at the meeting and shall not vote on the resolution) may when giving authority in relation to a Relevant Situation impose any terms upon the interested Directors which they think fit. Any terms of such authorisation may be imposed at the time of the authorisation or may be imposed or varied subsequently and may include (without limitation):

- (i) whether the interested Directors may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;
- (ii) the exclusion of the interested Directors from all information and discussion by the Company of the Relevant Situation; and
- (iii) the imposition of a specific duty of confidentiality for any confidential information of the Company in relation to the Relevant Situation.

Any authorisation of a Relevant Situation may provide that, where the interested Director obtains (other than through his or her position as a Director of the Company) information that is confidential to a third party, he or she will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.

If a Director is in any way, directly or indirectly, interested in a proposed or an existing contract with the Company, he or she must declare the nature and extent of that interest to the other Directors in accordance with the Act where required to do so by the Act.

Subject to having declared the nature and extent of his or her interest to the other Directors in accordance with the Act, a Director may:

- (i) have any kind of interest in a contract with or involving the Company or another company in which the Company has an interest;
- (ii) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary of the Company or any other body corporate in which the Company has an interest;
- (iii) hold any other office or place of profit with the Company (other than as auditor) in conjunction with his or her office of Director for such period and on such terms, including as to remuneration, as the Directors may decide;
- (iv) alone (or through some company or firm with which he or she is associated) do paid professional work (other than as auditor) for the Company or another company in which the Company has an interest on such terms as the Directors may decide; and
- (v) be or become a director of any other body corporate in which the Company does not have an interest

and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his or her appointment as a director of that other company.

(c) *Remuneration*

Directors are entitled to such remuneration as the Directors determine for their services to the Company as directors and for any other service which they undertake for the Company. Subject to the Articles, a Director's remuneration may take any form and include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that Director. In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid reasonable expenses properly incurred in connection with their attendance at board meetings or general meetings, or otherwise in connection with the exercise of their powers and discharge of their responsibilities in relation to the Company.

(d) *Indemnity*

As far as the Act or any other provision of law allows, the Company may indemnify out of the Company's assets:

- (i) any Director against any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated company;
- (ii) any Director against any liability incurred by that Director in connection with the activities of the Company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in the Companies Act 2006); and
- (iii) any Director against any other liability incurred by that Director as an officer of the Company or an associated company.

(e) *Proceedings of the Board*

A Director may at any time, and the secretary may at the request of a Director, call a meeting of the Board. Directors participate in a Director's meeting when the meeting has been called and takes place in accordance with the Articles, and they can communicate to the others any information or opinions they have on any particular item of business.

The quorum for Directors' meetings may be fixed from time to time by a decision of the Directors, but it must never be less than two, and unless otherwise fixed it is two.

The Directors may appoint a Director to chair their meetings. The Directors may terminate the chairman's appointment at any time. If the chairman is not participating in a Directors' meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair it.

The general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a unanimous decision taken in accordance with the Articles. A decision is considered unanimous when all eligible Directors indicate to each other by any means that they share a common view on a matter. Such a decision may take the form of a resolution in writing, where each eligible Director has signed one or more copies of it or to which each eligible Director has otherwise indicated agreement in writing.

4.5 **Dividends**

(a) *Declaration of dividends*

The Company may by ordinary resolution declare dividends to be paid to the members, according to their respective rights and interests, but no dividend shall exceed the amount recommended by the Board.

(b) *Interim dividends*

The Board may pay interim dividends. If the Company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. If the Directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

(c) *Calculation and currency of dividends*

Unless the members' resolution to declare or Directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, any dividend must be paid by reference to each member's holding of shares on the date of the resolution or decision to declare or pay it.

(d) *Dividends not to bear interest*

No dividend or other sum payable by the Company on or in respect of any share shall bear interest as against the Company unless otherwise provided by the terms on which the share was issued or the provisions of another agreement between the holder of that share and the Company.

(e) *Dividends in specie*

Subject to the terms of issue of the share in question and with the authority of an ordinary resolution of the Company and on the recommendation of the Board, payment of any dividend may be satisfied wholly or in part by the distribution of non-cash assets (including, without limitation, shares or securities in any other company).

(f) *Unclaimed dividends*

Any dividend unclaimed for a period of twelve years after having been declared shall be forfeited and cease to remain owing by the Company.

5. Directors and Senior Management

5.1 The Directors and members of Senior Management, their functions within the Group and brief biographies are set out in "*Directors, Senior Management and Corporate Governance*".

5.2 Each of the Directors and each member of Senior Management can be contacted at the Company's registered office address at Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS, United Kingdom.

5.3 In addition to their directorships of the Company and other current and past members of the Group, the Directors and the Senior Management hold, or have held, the following directorships or equivalent roles and are or were members of the following partnerships, within the previous five years prior to the date of this document:

Name	Company/Partnership	Position still held
Ann Cairns	Lightrock Holding AG	Yes
	TMF Sapphire Topco B.V.	Yes
	30 Percent Club IP Co. Limited	No
	Intercontinental Exchange Inc.	No
	ICE Clear Europe Limited	No
Bhairav Trivedi	Network International Holdings PLC	No
	Finablr PLC	No
Nöel Harwerth	Charter Court Financial Services Limited	Yes
	Onesavings Bank Plc	Yes
	Scotiabank Europe Plc	Yes
	OSB Group Plc	Yes
	Charter Court Financial Services Group Plc	No
	Charter Mortgages Limited	No
	Exact Mortgage Experts Limited	No
	Broadlands Finance Limited	No
	Anglo American Crop Nutrients Limited	No
	The London Metal Exchange	No
	Standard Life Assurance Limited	No
Simon Poole	British Horseracing Authority Limited	No
	Helios Investment Partners LLP	Yes
	Solevo Holding B.V.	Yes
	Link Commerce Ltd	Yes
	Helios Towers Africa Limited	No
	Vivo Energy Investments B.V.	No
	Fawry Banking & Payment Technology Services Limited	No
Bayport Management Limited	No	
Jennifer Johnson-Calari	JJC Advisory	Yes
	Momentum Global Investment Management Limited	Yes
Karen Jordan	Wey Compliance Consulting Limited	Yes
	Protect (Whistleblowing Advice) Limited	Yes

Name	Company/Partnership	Position still held
Susanne Chishti	JN Bank UK Limited	Yes
	MT Capital Management Limited	Yes
	CMC Markets PLC	Yes
	FINTECH Circle Ltd	Yes
	Lenderwize Limited	No
	JLG Group PLC	No
	Supply@Me Capital PLC	No
	Fintech SEIS Ltd	No
	Kompli Holdings PLC	No
	Kompli Global Limited	No
	Fintech Publishing Ltd	No
Caroline Brown	Brandspoke Limited	No
	FTC Innovation Ltd	No
	Clifford Chance LLP	Yes
	Shoare Management Company Limited	Yes
	IP Group plc	Yes
	Luceco plc	Yes
	Ceres Power Holdings plc	Yes
	The Gray's Inn Mansion Limited	Yes
	W.A.G Payment Solutions plc	No
	Rockley Photonics Limited	No
	Rockley Photonics Holdings Limited	No
Chris Green	NAHL Group plc	No
	Georgia Capital plc	No
	Raspberry Pi Foundation	No
	Earthport plc	No
	Hydrodec Group plc	No
Mario Shiliashki	RBS Invoice Finance Ltd	No
	Lombard North Central plc	No
	Kreditech Holding SSL GmbH	No

5.4 Save as set out above, none of the Directors or the Senior Management has any business interests, or performs any activities, outside the Group which are significant with respect to the Group.

5.5 At the date of this document, except as disclosed in paragraphs 5.6 to 5.9 below, none of the Directors or Senior Management has at any time within the last five years:

- (a) had any convictions in relation to fraudulent offences;
- (b) been declared bankrupt or been the subject of any individual voluntary arrangement;
- (c) been associated with any bankruptcy, receivership or liquidation in his or her capacity as director or senior manager;
- (d) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);
- (e) been disqualified by a court from acting as a director;
- (f) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company;
- (g) been a partner or senior manager in a partnership which, while he or she was a partner or within 12 months of him or her ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership voluntary arrangement;
- (h) owned any assets which have been subject to a receivership or been a partner in a partnership subject to a receivership where he or she was a partner at that time or within the 12 months preceding such event; or
- (i) been an executive director or senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into

any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he or she was an executive director or senior manager of that company or within 12 months of him or her ceasing to be an executive director or senior manager.

- 5.6 In February 2018, Susanne Chishti joined the boards of Kompli-Global Limited and its parent, Kompli Holdings plc, a provider of specialist corporate due diligence solutions to the financial regulatory technology sector, as a non-executive director. Susanne resigned as a director from both companies in November 2021 due to other commitments. In November 2022, both companies were placed into administration due to Kompli Holdings plc's inability to repay its debts.
- 5.7 In February 2016, Susanne Chishti joined the board of JLG Group Plc, a provider of retail bond investments to customers in the United Kingdom, as a non-executive director. In June 2022, the company was placed into administration as a result of losses arising from its core lending book as a result of the impact of the Covid-19 pandemic and other financial challenges arising from the operational cost base of the business and other historic business arrangements. In agreement with the administrator, FRP Advisory, all members of the board of directors of JLG Group Plc, including Susanne, resigned in August 2022.
- 5.8 In August 2021, Caroline Brown joined the board of Rockley Photonics Holdings Ltd, a silicon photonics company developing digital health sensor systems, as a non-executive director. Caroline resigned as a director in December 2022 due to other commitments. In January 2023, the company filed a petition with the United States Bankruptcy Court for the Southern District of New York for protection under Chapter 11 of the United States Bankruptcy Code. The decision to file for bankruptcy protection was made by the company's board following Caroline's resignation. On 10 March 2023, Rockley Photonics Holdings Limited received court approval for restructuring under the Cayman restructuring officer regime.
- 5.9 In March 2020, Bhairav Trivedi joined the board of Finablr Plc, a financial services and cross-border payments holding company listed on the London Stock Exchange, as Group CEO. Bhairav was appointed on a limited contract to assist the company (and its wider group) with a corporate restructuring to address its financial and liquidity issues. In December 2020, at the end of his contract and having completed the work he was engaged to do, Bhairav resigned as Group CEO but remained a non-executive director of the holding company. The board of Finablr Plc placed the company into administration in January 2022, having sold its subsidiaries to a financial consortium. The subsidiaries were rebranded as "Wizz Financial" and Finablr Plc delisted from the London Stock Exchange. Bhairav formally resigned as a director in February 2023.
- 5.10 Save as set out below, there are:
- (a) no potential conflicts of interest between any duties to the Company of the Directors and members of Senior Management and their private interests and/or other duties; and
 - (b) no arrangements or understandings with the Shareholders, members, suppliers or others pursuant to which any Director or member of Senior Management was selected other than the appointment of Simon Poole whose nomination for appointment by the Shareholders shall be governed by the terms of a relationship agreement in the event of any Admission.
- 5.11 Each of the Directors has a statutory duty under the Companies Act 2006 to avoid conflicts of interests with the Company and to disclose the nature and extent of any such interest to the Board. Under the Articles and, as permitted by the Companies Act 2006, the Board may authorise any matter which would otherwise involve a Director breaching this duty to avoid conflicts of interest and may attach to any such authorisation such conditions and/or restrictions as the Board deems appropriate (including in respect of the receipt of information or restrictions on participation at certain Board meetings), in accordance with the Articles (as summarised in paragraph 4 above).
- 5.12 Simon Poole has been appointed to the Board of the Company by the Company's Principal Shareholder. Amongst other things, the Company's Principal Shareholder may from time to time acquire and hold interests in businesses that compete directly or indirectly with the Group, or with which the Group conducts business.
- 5.13 There are no family relationships between any of the Directors or members of Senior Management.

6. Directors' and Senior Management's interests in the Company

6.1 The following table sets out the interests of the Directors and members of Senior Management (all of which are beneficial and include interest of persons connected to them) in the share capital of the Company at the date of this document:

Director/Senior Management	Number of Ordinary Shares	Percentage of issued Ordinary Share capital (%)
Ann Cairns	nil	nil
Bhairav Trivedi ⁽¹⁾	nil	nil
Richard Hallett ⁽²⁾	1,500	<0.01%
Nöel Harwerth	nil	nil
Simon Poole ⁽³⁾	nil	nil
Jennifer Johnson-Calari	nil	nil
Karen Jordan	nil	nil
Susanne Chishti	nil	nil
Caroline Brown	nil	nil
Chris Green ⁽²⁾	500	<0.01%
Mario Shiliashki	nil	nil

⁽¹⁾ Pursuant to the incentive arrangements described at paragraph 11 below, Bhairav Trivedi owns 1,410 C Shares and 4,500 D Shares in CAB Tech Holdco Limited, a subsidiary of the Company. Bhairav Trivedi was granted loans by Merlin Midco Limited, a wholly-owned subsidiary of the Helios Funds, and Crown Agents Bank Limited in connection with his acquisition of D Shares, as further described at paragraph 11 below. Bhairav Trivedi's C Shares and D Shares will be exchanged for Ordinary Shares in the Company prior to any Admission pursuant to the Share Exchange described at paragraph 14 below.

⁽²⁾ JTC Employer Solutions Trustee Limited is the legal holder of these shares as trustee of the Company's Employee Benefit Trust. As at the date of this document, there are outstanding loans owed by Richard Hallett to Crown Agents Bank Limited of £7,158 and by Chris Green to Crown Agents Bank Limited of £146,181 which were used to purchase certain of the Ordinary Shares pursuant to the applicable incentive scheme. These loans will be repaid at the time of any Admission from proceeds of a special bonus awarded to Richard Hallett and Chris Green in connection with any Admission.

⁽³⁾ Simon Poole has an indirect shareholding in Merlin Midco Limited, the Company's Principal Shareholder, and accordingly, has an indirect interest in the Ordinary Shares of the Company owned by Merlin Midco Limited. Simon Poole indirectly owns less than 0.05% of the Ordinary Shares in Merlin Midco Limited.

6.2 No Director or member of Senior Management has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by the Company in the current or immediately preceding financial year or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

7. Major shareholders' interests in the Company

7.1 As at the date of this document, and insofar as it is known to the Company, the following persons are, directly or indirectly, interested (within the meaning of the Companies Act 2006) in 3% or more of the Company's issued share capital:

Shareholder	No. of ordinary shares	% of the issued share capital
Merlin Midco Limited ¹	67,222,728	98.84%

⁽¹⁾ Merlin Midco Limited is a wholly-owned subsidiary of the Helios Funds and is the Company's Principal Shareholder.

7.2 Save as disclosed above, insofar as is known to the Directors, there is no other person who is, directly or indirectly, interested in 3% or more of the issued share capital of the Company, or any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company.

7.3 The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

8. Overview of remuneration strategy and policy

8.1 Group Policy

Prior to any Admission, the Company's directors' remuneration policy (the "**Policy**") has been reviewed to ensure that, after any Admission, it will continue to incentivise and reward long-term, sustainable growth of the Company

and comply with the UK Corporate Governance Code and prevailing applicable PRA and FCA regulations.

In addition to the UK Corporate Governance Code and regulatory guidelines, the Policy has been designed taking into account market best practice both in the financial services sector and amongst other UK listed companies and the guidelines of UK institutional shareholders and advisory bodies.

The main objectives of the Policy, which would apply from any Admission, are to attract, retain and motivate the Executive Directors and senior employees, incorporating incentives that align with and support the Group's business strategy as it evolves, and which align executives to the creation of long-term shareholder value.

To support this aim, the Board, conditional on any Admission, intends to adopt the Long Term Incentive Plan (the "LTIP") so that a significant proportion of potential total remuneration for the Company's most senior employees will, therefore, be performance-related and be delivered in awards over Ordinary Shares.

The information in this paragraph 8, together with the details of the LTIP set out in paragraph 11 below, summarises the key components of the remuneration arrangements for Executive Directors and Non-Executive Directors which will apply from any Admission.

The Policy has been tested against the six factors listed in Provision 40 of the UK Corporate Governance Code:

- **Clarity**—the Policy will be clear and be disclosed in full to shareholders in the Company's first Directors' remuneration report ("**DRR**"). The Remuneration Committee will engage regularly with the Company's largest shareholders in respect of the Policy and its operation and engagement with the workforce will be undertaken.
- **Simplicity**— the rationale for each element of the Policy will be clearly set out in the Policy. Remuneration structures are simple and in line with standard market practice. The DRR will include prospective disclosure of annual bonus measures for the year ahead and the applicable LTIP performance conditions and targets and retrospective disclosure of outcomes against targets will be provided following the end of the performance period.
- **Risk**—the Policy has been shaped to discourage inappropriate risk taking through the deferral of part of the annual bonus into Ordinary Shares, and the LTIP. The Remuneration Committee also has discretion to adjust the formulaic outcome of incentive awards and will ensure that variable remuneration is adjusted to take account of ex-post and ex-ante risk. In addition, clawback and malus provisions apply, and in-employment and post-employment shareholding requirements.
- **Predictability**— certain elements of the Policy are subject to overall caps and dilution limits. The potential pay-outs under different levels of performance will be illustrated in the scenario charts in the Policy. The circumstances in which the Remuneration Committee may exercise its discretion will be set out clearly in the Policy.
- **Proportionality**—there is a sensible balance between fixed pay and variable pay. The annual bonus and LTIP are subject to performance conditions that consider both financial and non-financial performance linked to strategy. The Remuneration Committee will ensure outcomes will not reward poor performance through Remuneration Committee discretion, malus and clawback provisions and risk alignment.
- **Alignment to culture**—the Remuneration Committee will review company culture and wider workforce policies and practices when determining the remuneration policy for Executive Directors. In determining Executive Director remuneration outcomes and the operation of the Policy going forward, a key consideration of the Remuneration Committee will be on fairness and the remuneration outcomes across the workforce.

At the time of publication, the PRA and FCA have two consultations open in relation to the structure of remuneration in regulated businesses, which, if adopted, will impact the Group. The PRA's consultation paper 5/23 includes proposed changes to the PRA Rulebook aimed at increasing the proportionality of the remuneration regime by reducing the regulatory burden on small firms such as the Company to a level more appropriate to the benefits arising from lowering risks to these firms' safety and soundness and to the UK financial system. The design of the Policy described in this paragraph 8 assumes that certain regulatory changes proposed by the PRA in relation to the removal of the bonus cap and certain more stringent clawback and malus rules as they apply to smaller firms such as the Company will be implemented by the PRA from 2024. If these proposed changes do not come into force, this will be reflected in the Policy that will be put to shareholders at the Company's first annual general meeting following any Admission in accordance with the Companies Act 2006.

8.2 *Directors' remuneration policy*

(a) A summary of the Policy immediately following any Admission is provided below, further details will be provided in the first DRR following any Admission:

(i) *Base salary - Executive Directors*

In the event of any Admission, the base salaries for the CEO and CFO will be £675,000 and

£450,000 per annum, respectively. Base salaries will be reviewed annually and take into account several factors including the relevant director's role, experience and skills as well as business performance. Any increases will normally be made no higher than the base salary increase for the rest of the workforce but the Remuneration Committee retains the discretion to adjust salaries at a higher rate where appropriate (for example, upon a material change to the scope of the role).

(ii) *Pension and benefits - Executive Directors*

Executive Directors may elect to participate in the Company pension scheme on the same basis as all other UK based employees. This allows for up to 10% of salary Company contribution, subject to the employee electing to invest the maximum employee contribution permitted by the plan and limited to the extent that prevailing pension legislation may impact annual or lifetime contributions. Currently, the CEO has elected to invest the full amount permitted so receives a pension contribution of 10% of salary (up to the current annual allowance) whilst the CFO receives a pension contribution of 7% of salary (also up to the annual allowance). There is no entitlement to receive cash in lieu of pension above the cap.

The Executive Directors will receive benefits aligned to those offered across the UK workforce, which include medical insurance, income protection and life assurance cover.

(iii) *Annual bonus plan*

The Executive Directors will participate in an annual bonus plan. The maximum annual bonus opportunity for the CEO and CFO is currently intended to be no more than 150% and 130% of salary, respectively. One third of any after tax annual bonus earned will be used to buy Ordinary Shares (which may not be sold for three years) and the remainder will be paid in cash. The Remuneration Committee will keep the maximum bonus opportunity and deferral mechanism under review pending the final outcome of the PRA and FCA's consultation in respect of the variable pay cap.

The annual bonus pay-out will be determined following the end of the financial year to which it relates, based on performance against a range of pre-determined financial and non-financial objectives (of which a majority will be based on financial performance targets). The Remuneration Committee will retain the discretion to adjust the final outcome either upwards or downwards if the formulaic outcome of the annual bonus is not deemed to be reflective of wider performance factors and stakeholder experience, including having the discretion to scale back the outcome (including to zero) if there has been an exceptional negative event. In addition, the Remuneration Committee will ensure that the calculation and allocation of variable remuneration is adjusted to take account of ex-post and ex-ante risks.

Clawback and malus provisions will apply across all of the variable pay schemes, including the annual bonus, as described below.

The annual bonus for the year ending 31 December 2023 will be unaffected by any Admission and will operate in line with the Company's current Policy, which takes account of the current PRA regulations. The first annual bonus under the post-Admission Policy will operate from 1 January 2024.

(iv) *Long-Term Incentive Plan and IPO Awards*

On any Admission, the Board will adopt the LTIP, which is designed to encourage sustainable long-term performance. Performance Share Awards will be granted annually to Executive Directors under the LTIP and will be subject to stretching long-term performance conditions and share retention requirements after vesting. The normal maximum grant level for the Chief Executive Officer is currently intended to be up to 150% of salary and for the Chief Financial Officer up to 130% of salary (face value of shares at grant), although the Remuneration Committee may elect to grant a lower percentage of salary in exceptional circumstances, such as a significant drop in the share price resulting in the number of shares to be granted being considered excessive.

As with the annual bonus, the Remuneration Committee will monitor the final outcome of the PRA and FCA's consultation in respect of the variable pay cap in the event that the permitted ratio of fixed to variable pay remains restricted.

It is expected that the first awards under the LTIP will be granted as soon as practicable following any Admission (the "**IPO Awards**"), with awards to the CEO and CFO being at the

normal Policy levels. Members of the Executive Committee will also be granted Performance Share Awards. For all IPO Awards the number of Ordinary Shares comprising the grant will be calculated using the price per Ordinary Share at any Admission and the participant's salary immediately following any Admission.

IPO Awards granted to the Executive Directors and members of the Executive Committee will vest subject to the achievement of stretching performance targets, which in the case of the Executive Directors will be measured up to no earlier than the year ending 31 December 2025.

Upon vesting, the post-tax number of Ordinary Shares will be subject to a two-year holding period.

Participants will also receive dividend equivalents equal to the value of dividends which would have accrued on their vested Ordinary Shares.

In addition, Restricted Share Awards may be granted to certain employees other than Executive Directors.

As is the case with the annual bonus, the Remuneration Committee has the discretion to adjust the formulaic LTIP outcome at the time of vesting if it is not deemed to be reflective of wider performance factors and stakeholder experience, including having the discretion to scale back vesting (including to zero) if there has been an exceptional negative event. In addition, the Remuneration Committee will ensure that the calculation and allocation of variable remuneration is adjusted to take account of ex-post and ex-ante risks.

A summary of the material terms of the LTIP are set out in paragraph 11 below.

(v) *Recovery and withholding provisions*

In line with market best practice, malus and clawback provisions will apply for a period of three years following any annual bonus payment or the date of vesting of any LTIP awards, as determined at the discretion of the Remuneration Committee.

Under the current PRA Rulebook, the Company is currently subject to more stringent malus and clawback provisions (which apply to current variable pay, including any payouts under the 2023 annual bonus). If the PRA concludes that these provisions will no longer apply to smaller firms like the Company, the Remuneration Committee will not apply the more stringent rules after 2024 on the basis that the risks these measures are designed to address can be mitigated sufficiently by other remuneration rules, including the clawback and malus provisions outlined above.

(vi) *Shareholding requirement*

During employment, Executive Directors shall be required to build and maintain a shareholding equivalent to 200% of their base salary. The shareholdings of the CEO and CFO will exceed this requirement on any Admission. If, in relation to newly recruited Executive Directors, the requirement has not been met, Executive Directors will be required to retain 50% of the Ordinary Shares they receive (net of shares sold to meet any tax liability) under the incentive plans until the requirement is met. After employment, Executive Directors will be expected to retain the lower of the Ordinary Shares held at cessation of employment and Ordinary Shares to the value of 200% of salary for a period of two years.

(vii) *Recruitment policy*

Consistent with market practice, remuneration packages for any new appointments to the Board (including internal hires) will be set in line with the Policy. For external appointments, the Company recognises that it may need to provide compensation for forfeited awards from the individual's previous employer ("buy-out awards"). To the extent possible, the design of buy-out awards will be made on a broadly like-for-like basis and shall be no more generous than the terms of the incentives they are replacing, taking into account the performance conditions attached to the vesting of the forfeited incentives, the timing of vesting and the likelihood of vesting.

(viii) *Termination of employment - Executive Directors*

Executive Directors have a service contract requiring 12 months' notice of termination from either party. The Company may, at its sole discretion, terminate the contract immediately by making a payment in lieu of notice equivalent to salary, benefits and pension. Any such payments will normally be paid in monthly instalments over the remaining notice period and be reduced to

offset earnings from other employment.

Treatment of other elements of the Policy (including annual bonus and LTIP), will vary depending on whether an Executive Director is defined as a “good” or “bad” leaver. “Bad” leavers will not be eligible to receive an annual bonus and any outstanding LTIP awards will lapse. However, in certain circumstances, at the discretion of the Remuneration Committee, good leaver status may be applied. Good leavers may be eligible to receive an annual bonus and will generally retain outstanding LTIP awards. The annual bonus and LTIP awards will be subject to the satisfaction of the relevant performance criteria tested at the normal date and reduced pro-rata for the period served.

(ix) All-employee share plans

The Executive Directors are eligible to participate in any all-employee share plan operated by the Company. Participation will be capped by the HMRC limits in the respective plan. See paragraph 11 below on the SAYE and SIP.

(x) Chair and Non-Executive Directors

The fee for the Chair will be determined by the Remuneration Committee (excluding the Chair, if a member of the Remuneration Committee), whilst fees for the Non-Executive Directors will be determined by the Board (excluding the Non-Executive Directors).

The Chair and Independent Non-Executive Directors are appointed by letters of appointment with an initial three-year term. The Chair receives an all-inclusive fee whereas Independent Non-Executive Directors are paid a base fee and additional fees for acting as Senior Independent Director and/or as the chair or member of any Board committees (or to reflect other additional responsibilities and/or additional time commitments).

The Chair will receive an annual fee of £325,000 on Admission. The Non-Executive Directors receive a base annual fee of £65,000 with additional fees for the roles of Senior Independent Director (£15,000 per annum), chair (£20,000 per annum) and member (£5,000 per annum) of the audit committee of the Board, chair (£22,500 per annum) and member (£7,500 per annum) of the risk committee of the Board, chair (£20,000 per annum) and member (£5,000 per annum) of the remuneration committee of the Board, and member of the tech forum (£5,000 per annum). Neither the Chair nor the Non-Executive Directors will participate in any incentive plans.

9. Directors' and Senior Management's remuneration

- (a) This paragraph 9 provides information on the service agreements and remuneration arrangements for the Executive Directors and Non-Executive Directors of the Company, and Senior Management.
- (b) The aggregate amount of remuneration paid (including any contingent or deferred compensation), and all benefits in kind granted to the Directors and the Senior Management, consisting of eleven individuals, by the Company and its subsidiaries for services in all capacities for the financial year ended 31 December 2022, was £3,339,900.
- (c) Under the terms of their service contracts, letters of appointment and applicable incentive plans, effective in the year ended 31 December 2022, the Directors were remunerated as set out below:

Name	Position	Annual salary/ fees (£)	Other benefits (£) ⁽²⁾
Ann Cairns	Chair	Nil ⁽¹⁾	Nil
Bhairav Trivedi	Chief Executive Officer	500,000	1,612,624 ⁽⁴⁾
Richard Hallett	Chief Financial Officer	277,033	226,224
Nöel Harwerth	Senior Independent Director	Nil ⁽¹⁾	Nil
Simon Poole	Non-Executive Director	48,334 ⁽³⁾	Nil
Jennifer Johnson-Calari	Independent Non-Executive Director	76,978 ⁽¹⁾	Nil
Karen Jordan	Independent Non-Executive Director	73,333 ⁽¹⁾	Nil
Susanne Chishti	Independent Non-Executive Director	62,917 ⁽¹⁾	Nil
Caroline Brown	Independent Non-Executive Director	Nil ⁽¹⁾	Nil
Mario Shiliashki	Independent Non-Executive Director	69,583 ⁽¹⁾	Nil

⁽¹⁾ Ann Cairns, Nöel Harwerth, Jennifer Johnson-Calari, Karen Jordan, Susanne Chishti, Caroline Brown and Mario Shiliashki were all appointed to the

Board in 2023 and so did not receive any remuneration from the Company for the year ended 31 December 2022. Jennifer Johnson-Calari, Karen Jordan, Susanne Chishti and Mario Shiliashki however, were members of the board of the Company's subsidiary Crown Agents Bank Limited in the year ended 31 December 2022 and the fees they each received for these appointments are set out in the table above.

⁽²⁾ Other benefits includes performance and retention bonuses, pensions and other benefits.

⁽³⁾ As Simon Poole is appointed to the Board of the Company by the Company's Principal Shareholder, this fee is paid to the Helios Funds directly.

⁽⁴⁾ On 30 May 2023, Bhairav Trivedi was paid a further bonus for the years 2021 (£507,842) and 2022 (£1,301,992), as reward for his services during those years.

- (d) There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

9.1 *Executive Directors*

- (a) On 27 May 2023, Crown Agents Bank Limited entered into new service agreements with Bhairav Trivedi and Richard Hallett as Executive Directors of the Company. The principal terms of these service contracts and agreements on performance of office are set out below:

General terms

- (b) Bhairav Trivedi is entitled to receive a salary of £500,000 per annum, or £675,000 per annum in the event of any Admission, under his service contract and is eligible for an annual discretionary bonus. Bhairav Trivedi is entitled to employer pension contributions of no less than 10% of annual salary, provided that he makes a pension contribution comprising up to 5% of his basic salary and participates in the Group's pension scheme. He is entitled to 30 days of paid holiday per year plus public holidays.
- (c) Richard Hallett is entitled to receive a salary of £320,000 per annum, or £450,000 per annum in the event of any Admission, under his service contract and is eligible for an annual discretionary bonus. Richard Hallett participates in the Group's pension scheme. He is entitled to 30 days of paid holiday per year plus public holidays.

Termination provisions

- (d) Bhairav Trivedi's service contract is terminable by either party on 12 months' notice. Crown Agents Bank Limited has the ability to terminate the service contract with immediate effect by making a payment in lieu of notice which shall consist of base salary only subject to the remuneration policy in place from time to time (the "**PILON**"). Crown Agents Bank Limited may pay the PILON in equal monthly instalments until the date on which the notice period would have expired had notice been given (the "**Payment Period**"). Bhairav Trivedi is required to inform Crown Agents Bank Limited immediately in the event that he receives, or has a right to receive, remuneration from any source in respect of his employment or the provision of his services during the Payment Period or relating to the Payment Period ("remuneration" shall include any salary, fee or other benefit). If Bhairav Trivedi obtains alternative employment or an alternative engagement during the Payment Period, any further monthly instalments of the PILON will be reduced on a pro rata basis by any payment or remuneration in respect of such alternative employment or alternative engagement during the Payment Period or relating to the Payment Period.
- (e) Crown Agents Bank Limited is entitled to put Bhairav Trivedi on garden leave during any period of notice. During such period of garden leave, Bhairav Trivedi will be entitled to receive his salary and all contractual benefits except for bonus.
- (f) Bhairav Trivedi is subject to post termination of employment restrictions on certain competitive activities.
- (g) Richard Hallett's service contract is terminable by either party on 12 months' notice. Crown Agents Bank Limited has the ability to terminate the service contract with immediate effect by making a PILON. Crown Agents Bank Limited may pay the PILON in equal monthly instalments until the date on which the notice period would have expired had notice been given. Richard Hallett is required to inform Crown Agents Bank Limited immediately in the event that he receives, or has a right to receive, remuneration from any source in respect of his employment or the provision of his services during the Payment Period or relating to the Payment Period ("remuneration" shall include any salary, fee or other benefit). If Richard Hallett obtains alternative employment or an alternative engagement during the Payment Period, any further monthly instalments of the PILON will be reduced on a pro rata basis by any payment or remuneration in respect of such alternative employment or alternative engagement during the Payment Period or relating to the Payment Period.
- (h) Crown Agents Bank Limited is entitled to put Richard Hallett on garden leave during any period of notice. During such period of garden leave, Richard Hallett will be entitled to receive his salary and all contractual benefits except for bonus.

- (i) Richard Hallett is subject to post termination of employment restrictions on certain competitive activities.

9.2 *Non-Executive Directors*

- (a) The Company has appointed eight Non-Executive Directors: the Chair, six Independent Non-Executive Directors and one Non-Executive Director who is not determined to be independent. The Non-Executive Directors, including the Chair, were appointed by letter of appointment. A summary of the terms of appointment of the Non-Executive Directors by the Company is set out below:

Name	Title	Date of appointment to the Board
Ann Cairns	Chair	23 February 2023
Nöel Harwerth	Senior Independent Director	23 February 2023
Simon Poole	Non-Executive Director	19 April 2016
Jennifer Johnson-Calari	Independent Non-Executive Director	26 April 2023
Karen Jordan	Independent Non-Executive Director	26 April 2023
Susanne Chishti	Independent Non-Executive Director	26 April 2023
Caroline Brown	Independent Non-Executive Director	26 April 2023
Mario Shiliashki	Independent Non-Executive Director	26 April 2023

- (b) The Chair will receive an annual fee of £325,000 on Admission. The Non-Executive Directors receive a base annual fee of £65,000 with additional fees for the roles of Senior Independent Director (£15,000 per annum), chair (£20,000 per annum) and member (£5,000 per annum) of the audit committee of the Board, chair (£22,500 per annum) and member (£7,500 per annum) of the risk committee of the Board, chair (£20,000 per annum) and member (£5,000 per annum) of the remuneration committee of the Board, and member of the tech forum (£5,000 per annum). Neither the Chair nor the Non-Executive Directors will participate in any incentive plans. The fee for the Chair is determined by the Remuneration Committee, whilst fees for the Non-Executive Directors are determined by the Board (minus the Non-Executive Directors). Neither the Chair nor the Non-Executive Directors will participate in any incentive plans.
- (c) In addition, each Non-Executive Director is entitled to be reimbursed for reasonable and properly documented expenses incurred arising from the performance of their duties.
- (d) The Chair's appointment is terminable by the Company giving not less than twelve months' prior written notice or by the Chair giving not less than six months' prior written notice.
- (e) Each Non-Executive Director's appointment is terminable on three months' notice, save for the Chair (as set out above).
- (f) The appointments of each of the Non-Executive Directors are for an initial term of 3 years from the date of appointment, unless terminated earlier, until the conclusion of the Company's annual general meeting occurring approximately 3 years from that date. The appointment of each Non-Executive Director is also subject to annual re-election at the general meeting of the Company.
- (g) The appointment of any non-independent Non-Executive Directors would be terminable in accordance with a relationship agreement to be entered into in the event of any Admission.
- (h) Each Director is eligible to benefit from the directors' indemnity provided for in the Company's Articles, and for cover under any directors and officers liability insurance policy that the Company maintains from time to time. The Directors may obtain, at the Company's expense, external independent professional advice necessary to enable the Director to carry out their duties.
- (i) The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. They are not subject to non-compete restrictive covenants.

10. **Pension and other end of service schemes**

Details of the Company's pension schemes are set out in Notes 3 and 9 of Section B of "Historical Financial Information". The total amount set aside or accrued by the Company or its subsidiaries to provide pension, retirement or similar benefits was £205,000 as at 31 December 2022.

11. Share Incentive Plans

Existing Share Incentive Plans

11.1 *Overview of the existing share plans*

The Group operates a number of equity based employee incentive arrangements, at both the Company and the CAB Tech Holdco Limited ("**CTH**") level. The principal arrangements are: (i) the CABIM Growth Share Plan (the "**GSP**") under which selected employees of the Group hold the beneficial interest in B ordinary shares in the Company; (ii) the CTH 2019 Equity Incentive Plan (the "**EIP**"), under which selected employees of the Group have been granted awards over B ordinary shares in CTH; (iii) the CAB Tech Holdco Growth Share Plan (the "**CTH GSP**") under which four employees of the Group have acquired C ordinary shares in CTH and one employee has acquired D ordinary shares in CTH; and (iv) awards over A2 ordinary shares in CTH, which were originally granted under the Segovia Technology Co 2014 Equity Incentive Plan (the "**2014 SIP**") and assumed by CTH at the time of the Segovia acquisition.

11.2 *GSP*

The GSP was implemented in December 2017. Under the GSP, selected employees of the Group have acquired the beneficial interest in B ordinary shares in the Company (the "**B Shares**"). The legal interest in the B Shares is held by JTC Employee Trust Solutions Trustee Limited (the "**Trustee**") acting as the trustee of the CABIM Limited Employee Benefit Trust (the "**EBT**").

The Trustee subscribed for 10,000 B Shares at their nominal value of £1.00. The subscription was funded by way of loan from the Company to the Trustee, which loan was repaid on the acquisition of the beneficial title by employees, who paid the same amount per B Share directly to the Company, in settlement of the Trustee's outstanding loan.

As at the date of this document, 17 individuals held the beneficial interest in an aggregate of 10,000 B Shares.

Employees were granted a loan from the Company, equal to the income tax and National Insurance contributions payable on the acquisition of their interest in the B Shares. To the extent outstanding, the loan will become repayable on any Admission.

On any Admission, the B Shares will be entitled to receive the share in the value of the Company that is determined based on a return of capital multiple, as prescribed in the articles of the Company and will, immediately before any Admission, be reorganised and re-designated as ordinary shares in the Company having the requisite value.

11.3 *EIP*

The EIP was established as part of the Segovia acquisition, as a retention tool for Segovia employees. Under the EIP, CTH granted selected employees of the Group awards of restricted shares or restricted share units ("**RSUs**") over B ordinary shares in CTH (the "**EIP Shares**"). Save for the outstanding awards, the EIP is no longer operated and no further grants of awards will be made under it.

EIP Shares held by any individual will, before any Admission, be acquired by the Company in exchange for the number of ordinary shares in the Company that will have an aggregate value equal to the aggregate value of the EIP Shares held by that individual as of that date.

11.4 *CTH GSP*

Under the CTH GSP four employees of the Group have acquired an aggregate of 3,835 C ordinary shares in CTH ("**C Shares**") and one employee has acquired 4,500 D ordinary shares in CTH ("**D Shares**" and, together with the C Shares, "**Growth Shares**"). The Growth Shares will be entitled to share in a specified percentage of any value of the Company that is in excess of the hurdle amount applicable to the respective Growth Shares. The hurdle for the C Shares is \$450,000,000 (plus any equity injection) and the specified percentage for the C Shares is 3.385%, the hurdle for the D Shares is \$700,000,000 (plus any equity injection) and the specified percentage for the D Shares is 4.5%. The Growth Shares are subject to a five year vesting schedule but will vest in full on any Admission of the Company.

Under the CTH articles of association vested Growth Shares will, at the time specified by the Company before any Admission, automatically be acquired by the Company in exchange for the number of ordinary shares in the Company that will have an aggregate value equal to the aggregate value to which the holder of the Growth Shares would be entitled in respect of their Growth Shares as of such date (with the value of the ordinary shares determined by reference to the price per share at which ordinary shares in the Company are to be offered for sale, placed or otherwise marketed pursuant to the arrangements relating to any Admission).

In connection with the CTH GSP, Merlin Midco Limited, a wholly-owned subsidiary of the Helios Funds, has agreed to provide certain of the Company's employees, including Bhairav Trivedi, with a loan to meet specific liabilities

should they arise in future in connection with their shareholdings. Further, Merlin Midco Limited and Crown Agents Bank Limited have agreed to provide Bhairav Trivedi with separate loans in connection with his acquisition of D Shares.

11.5 **2014 SIP**

Before the Segovia acquisition, Segovia operated the 2014 SIP under which it granted awards over Segovia common stock to Segovia employees. As part of the Segovia acquisition, outstanding awards held by Segovia employees who became employees of the Group (the "**Segovia Awardholders**"), were assumed by CTH and became awards of equivalent value over A2 ordinary shares in CTH (the "**A2 Shares**").

As at the date of this document, 17 Segovia Awardholders held outstanding options over an aggregate of 245,634 A2 Shares all of which are fully vested. All awards will vest before any Admission and, subject to their exercise, the resultant A2 ordinary shares will, before any Admission, be acquired by the Company in exchange for the number of ordinary shares in the Company that will have an aggregate value equal to the aggregate value to which the holder of the A2 Shares would be entitled in respect of their A2 Shares as of that date.

New Share Incentive Plans

11.6 **Overview of the Public Company Plans**

In the event of, and conditional on any Admission, the Company intends to operate two all-employee share plans (the Crown Agents Bank Savings-Related Share Option Scheme (the "**SAYE**") and the Crown Agents Bank Share Incentive Plan (the "**SIP**")) and two discretionary executive share plans (the Crown Agents Bank Executive Share Option Plan (the "**CSOP**") and the Crown Agents Bank Long Term Incentive Plan (the "**LTIP**")) (together the "**Public Company Plans**"). The following is a summary of the main provisions of the Public Company Plans, all of which will be administered by the Remuneration Committee.

11.7 **Provisions applying to all Public Company Plans**

(a) Dilution limits

The use of Ordinary Shares which are newly issued or transferred from treasury to satisfy options or awards under the Public Company Plans will be limited to 10 per cent. of the issued share capital of the Company from time to time, taking into account Ordinary Shares issued or to be issued or transferred from treasury over the previous 10 year period under all employee share plans adopted by the Company. Within this limit not more than 5 per cent. of the issued share capital of the Company from time to time may be used to satisfy awards under the LTIP.

Treasury shares will count as new issue Ordinary Shares for the purposes of these limits unless the guidelines of the Investment Association are amended to provide that they need not count. Awards made before or within 30 days of Admission will not count towards these limits.

(b) Grant of awards

Awards will normally be granted under the Public Company Plans within 42 days of: (i) the Company releasing its results for any financial period; or (ii) a general meeting of the Company. If the Company is restricted from granting awards during any of these periods, awards may be granted in the period of 42 days following the lifting of the restrictions. Awards would also be granted at other times if the Remuneration Committee determines that there are exceptional circumstances.

No awards would be granted under the Public Company Plans more than ten years after the date the Public Company Plans are approved by Shareholders.

(c) Other features

Awards granted under the Public Company Plans would not be transferable, except on death. Awards would not be pensionable. Any Ordinary Shares allotted when an option is exercised or an award vests will carry the same rights as all other Ordinary Shares in issue at that time (except for rights arising by reference to a record date before their allotment).

(d) Variation of share capital

If there is a variation of the share capital of the Company, the Remuneration Committee may make such adjustments to awards granted under each Public Company Plan, including to the number, nominal value or description of Ordinary Shares subject to awards and the option exercise price (if any), that it considers to be fair and reasonable, so that the aggregate value and option exercise price (if any) of the award remains substantially the same.

(e) Amendments

The Remuneration Committee may at any time amend the rules of a Public Company Plan in any respect, provided that no amendment is made to the advantage of participants relating to the:

- (i) persons to whom awards may be granted;
- (ii) limits on the number of Ordinary Shares which may be allocated under the Public Company Plans;
- (iii) maximum entitlement for individuals;
- (iv) rights attaching to awards and Ordinary Shares;
- (v) rights of participants in the event of a variation of share capital; and
- (vi) terms of the amendment provisions in the Public Company Plans,

without the prior approval of shareholders in a general meeting, unless the amendment is minor, is to benefit the administration of the relevant Public Company Plan, is to take account of a change in legislation or is to obtain or maintain favourable tax, exchange control or regulatory treatment for eligible employees, participants or the Company or the Group.

(f) Overseas plans

The Remuneration Committee may, at any time, establish further plans based on one or more of the Public Company Plans for overseas territories. Any such plan shall be similar to the Public Company Plans, as relevant, but modified to take account of local tax, exchange control or securities laws. No further plan will increase the individual limit on the size of an award and any Ordinary Shares made available under any further plans will count towards the overall limit on the number of Ordinary Shares which may be used under the Public Company Plans.

11.8 SAYE

(a) General

The SAYE will be an all-employee share plan under which eligible employees may apply for options when the Company decides to operate the plan to acquire Ordinary Shares in the future (on a tax-advantaged basis) at a price determined shortly before an invitation is issued. The option exercise price may be set at a discount (of up to 20% or any other discount permitted under the relevant legislation from time to time) to the market value of an Ordinary Share at that time. Participants are required to save monthly through a certified contractual savings arrangement over a specified period (currently three or five years). At the end of the savings period the participant may exercise the option using the savings contributions or have the savings repaid.

(b) Eligibility

All UK resident employees and executive directors of all Group companies who have been employed for a minimum period (which may not exceed five years) would be entitled to participate in the SAYE.

(c) Contributions

Participants would be required to enter into a savings contract with a nominated savings carrier under which they agree to make monthly contributions (between the minimum and maximum amounts permitted under the enabling legislation (£5 to £500), and any inner limits as set by the Remuneration Committee). The Remuneration Committee may scale down applications relative to any limit on the number of Ordinary Shares that may be acquired and the contribution limits prescribed in any application. The maximum number of Ordinary Shares over which a participant is granted an option will be the number of Ordinary Shares that can be acquired, at the option exercise price, with the monthly savings made plus any bonus payable on maturity of the savings contract.

(d) Option exercise prices

The option exercise price may not be less than 80% of the middle market quotation of an Ordinary Share as derived from the London Stock Exchange Daily Official List on the dealing day or average of a number of dealing days immediately before the date of invitation and, in the case of any options under which Ordinary Shares are to be issued, may not be less than the nominal value of an Ordinary Share.

(e) Exercise

Provided the participant has remained in employment, options may normally only be exercised during the six month period following the maturity of the related savings contract, following which the option will normally lapse. The

Company would then arrange for delivery of the Ordinary Shares to a participant (or the participant's nominee) within 30 days following the exercise of the option.

(f) Leavers

A participant who ceases to be an employee of the Group by reason of injury, disability, redundancy, death, retirement, or following a sale of the company or business in which they work, would be able to exercise their option within six months after leaving (12 months in the case of death). If a participant were to leave for any other reason, the participant's option would lapse on the date the participant leaves.

(g) Corporate Events

In the event of a change of control or winding-up of the Company, an option may be exercised (to the extent of a participant's savings) during the period starting up to 20 days before and ending six months after the relevant corporate event. In the event of a takeover or scheme of arrangement, participants may be offered in exchange for their existing options equivalent new options over shares in the new holding company or another company, equivalent in value to their existing options.

11.9 CSOP

(a) General

The CSOP would be a share option plan, under which eligible employees may be granted options over Ordinary Shares, consisting of a tax-advantaged part which will be registered with HMRC, and a non-tax-advantaged part. Under the tax-advantaged part, options may be granted on a tax-advantaged basis. The Remuneration Committee has discretion to determine whether, and if so when, the CSOP will operate.

Part A – Tax-Advantaged Part

(b) Eligibility

All employees of the Company (including full-time Directors) who, in the case of an option granted under the tax-advantaged part of the CSOP, are not precluded from participating in the CSOP due to the material interests exclusion, would be eligible to participate in the CSOP.

(c) Grant of options

In the event of Admission, the Remuneration Committee may, at its discretion, grant an option to any eligible employee to acquire Ordinary Shares. No consideration would be payable by participants on the grant of an option. Until a participant acquires any Ordinary Shares subject to an award, the participant would have no rights to the Ordinary Shares, including voting or dividend rights.

(d) Performance conditions

The exercise of an option may be subject to performance conditions or any other conditions determined by the Remuneration Committee. Any performance conditions must be objective and stated in writing at the date of grant of the option.

(e) Option price

The option price would be determined by the Remuneration Committee at the time of grant, but will not be less than the higher of:

- (i) the market value of a Share on the dealing day immediately preceding the date of grant of the option or, if the Remuneration Committee decides, the average of the market values for dealings in Ordinary Shares for the three dealing days immediately preceding the date of grant, or the market value of a Share at such other time agreed in advance with HMRC; and
- (ii) in the case of an option to subscribe for Ordinary Shares, the nominal value of a Share.

The option price may be adjusted (under the tax-advantaged part in accordance with the applicable legislation) to take account of any variation in the Company's ordinary share capital.

(f) Individual limits

An individual's overall participation under the CSOP would be limited so that the aggregate market value (calculated at the date of grant of the option) of the Ordinary Shares comprised in subsisting options granted under the CSOP

and any other HMRC tax-advantaged company share option plan established by the Company or by an associated company (except savings-related plans) cannot exceed £60,000 (or any other limit applicable under the relevant legislation from time to time).

(g) Exercise of options

Options may be exercised in whole or in part on or after the third anniversary of the date of grant, or any later date determined by the Company at the date of grant, provided that the participant is still an executive director or employee of a participating company or associated company and provided that any conditions to which their option is subject are satisfied. Options would lapse on the tenth anniversary of the date of grant. Following their date of exercise, Ordinary Shares must be issued or transferred to the participant within 30 days.

(h) Leavers

Options may be exercised, subject to the satisfaction of any conditions imposed, during the period of six months after the participant ceases to be an employee by reason of injury, disability, redundancy or retirement with the agreement of the Company, a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006, or a participant holding office or being employed in a company which ceases to be an associated company of the Company.

If a participant ceases to be an employee other than for the reasons set out above, the Remuneration Committee may, acting fairly and reasonably, permit the exercise of the participant's option within six months from either (i) the third anniversary of the date of grant of the option, or (ii) if the Remuneration Committee of the Company fairly and reasonably permits, immediately on the participant ceasing to be an employee. Participants who exercise options under these circumstances may not benefit from the tax advantages otherwise conferred on the exercise of CSOP options under the relevant legislation.

Unless the Remuneration Committee determines otherwise, the number of Ordinary Shares in respect of which the option will become exercisable to the extent that any relevant performance condition has been satisfied, and will be pro-rated to take account of the time elapsed between the date of grant and the date of cessation of employment as a proportion of the three-year vesting period.

On the death of a participant, any option held can be exercised by the participant's personal representatives within 12 months of the date of the participant's death and any conditions imposed will be waived.

(i) Corporate Events

Options may normally be exercised early if:

- (i) any person obtains control of the Company as a result of a general offer to acquire Ordinary Shares;
- (ii) a person (or a group of persons acting in concert) becomes bound or entitled to acquire Ordinary Shares by serving a notice under sections 979-982 or 983-985 of the Companies Act 2006; or
- (iii) a scheme of compromise or arrangement in connection with the acquisition of Ordinary Shares is sanctioned or a non-UK company reorganisation arrangement becomes binding.

Options may be exercised up to 20 days before the relevant event or within six months of the event, or, in the case of a section 979 notice, within six weeks, after which time the options will lapse, unless the Remuneration Committee determines otherwise. Alternatively, with the consent of the acquiring company, options may be exchanged for equivalent rights to acquire shares in the acquiring company.

If, as a result of the change of control or scheme of arrangement the Ordinary Shares no longer meet the requirements of Part 4 of Schedule 4 ITEPA 2003, an option may be exercised up to 20 days after the relevant date notwithstanding that the Ordinary Shares no longer meet the relevant Schedule 4 requirements.

Options may also be exercised early in the event of a voluntary winding-up of the Company.

Unless the Remuneration Committee determines otherwise, an option will become exercisable to the extent that any relevant performance condition has been satisfied, and the number of Ordinary Shares in respect of which the option will become exercisable will be pro-rated to take account of the time elapsed between the date of grant and the date of the relevant event.

In the event of a Company reorganisation or merger, where the shareholders of the acquiring company are substantially the same as the Company shareholders immediately before the change of control and the acquiring company consents, no options will be exercisable but will be exchanged for equivalent rights over shares in the acquiring company. If the acquiring company does not consent to the exchange of options, the options may be exercised in accordance with the takeover provisions outlined above.

Part B - Non-Tax-Advantaged Part

Save as modified by the terms set out below, all provisions in the tax-advantaged part of the CSOP are incorporated into Part B. Ordinary Shares allocated under Part B will be taken into account for the purposes of the plan and individual limits set out in Part A.

There will be no need to seek HMRC approval or agreement for anything done under Part B of the CSOP, and references to events occurring by reference to HMRC approval or agreement will be ignored.

(j) Eligibility

All employees of the Company (including full-time Executive Directors) are eligible to participate in the non-tax-advantaged part of the CSOP.

(k) Individual limit

The maximum market value of Ordinary Shares which may normally be subject to an option granted to an individual in any financial year will be 100 per cent. of the individual's total remuneration (including bonuses and commissions but excluding benefits in kind) (as at the date of grant).

(l) Exercise of options

In addition to the provision set out in Part A, the Remuneration Committee may require as a condition of exercise of an option that the participant pay up the nominal value of the Ordinary Shares subject to the option in the manner the Remuneration Committee determines.

(m) Share settled appreciation rights

The Remuneration Committee may determine that, on the exercise of an option, a participant will not receive the number of Ordinary Shares in respect of which the option is exercised, but will instead receive the number of shares whose market value is equal to the gain on the exercise of the option. The gain is the amount by which the aggregate market value of the Ordinary Shares over which the option is exercised exceeds the aggregate exercise price payable to acquire those Ordinary Shares. If the Remuneration Committee makes this determination and Ordinary Shares are issued to satisfy the exercise of the Option, the participant must undertake to pay out of the proceeds of sale of the Ordinary Shares an amount equal to the aggregate nominal value of that number of Ordinary Shares that the participant will receive.

11.10 **SIP**

(a) General

The SIP is an all-employee share plan under which eligible employees can acquire Ordinary Shares in the Company on a tax-advantaged basis. The Remuneration Committee can operate the SIP in a number of ways. It can:

- (i) make an award of free Ordinary Shares (the "**Free Shares**");
- (ii) give participants the opportunity to acquire partnership Ordinary Shares (the "**Partnership Shares**");
- (iii) make an award of matching Ordinary Shares (the "**Matching Shares**") to those participants who acquire Partnership Shares; and/or
- (iv) require or allow participants to re-invest dividends paid on their Free Shares, Partnership Shares or Matching Shares, in further Ordinary Shares (the "**Dividend Shares**", together with the Free Shares Partnership Shares and Matching Shares, the "**SIP Shares**").

The SIP operates through a trust, which will acquire Ordinary Shares by purchase or subscription and will hold the Ordinary Shares on behalf of participants in the SIP.

(b) Eligibility

All employees of the Company and any participating company who are UK resident taxpayers will be eligible and must be invited to participate in the SIP, provided they have been employed for a qualifying period determined by the Remuneration Committee which may not exceed 18 months. Other employees may be invited to participate.

(c) Free Shares

The SIP provides that each participant may be awarded Free Shares worth up to the statutory maximum (currently £3,600) each year. The allocation can be based on the achievement of individual, team, divisional or corporate performance targets which must be notified to all employees. Otherwise, Free Shares must be awarded to employees

on the same terms, although awards can vary by reference to remuneration, length of service or hours worked. Free Shares must be held in trust for the period specified by the Remuneration Committee of between three and five years. If a participant ceases employment with the Group within three years from the grant date, the Free Shares will cease to be subject to the SIP and may be forfeited as determined by the Remuneration Committee.

(d) Partnership Shares

Participants may be offered the opportunity to purchase Partnership Shares out of pre-tax salary contributions up to the maximum set by the legislation (currently £1,800, or 10% of salary if less). The Company may set a minimum monthly deduction from a participant's salary that may not be greater than the amount set by the legislation, currently £10. The Partnership Shares may be acquired immediately or the salary contributions accumulated for any period of up to 12 months before they are used to buy Partnership Shares. The Remuneration Committee can scale down applications for Partnership Shares relative to any limit on the number of Ordinary Shares which may be acquired and the contribution limits prescribed in any application.

Partnership Shares can be withdrawn from the SIP by the participant at any time and are not subject to forfeiture provisions.

(e) Matching Shares

Where participants acquire Partnership Shares, they may be awarded Matching Shares by the Company, up to a current statutory maximum of two Matching Shares for each Partnership Share. The award of Matching Shares cannot be subject to performance targets. Each award of Matching Shares will be subject to a holding period of not less than three years, nor more than five years (or any other periods required by the relevant legislation from time to time), beginning with the grant date, and which will be the same for all participants who receive an award at the same time. If a participant ceases employment with the Group or a participant withdraws their corresponding Partnership Shares within three years of purchase or any other forfeiture period as determined by the Remuneration Committee, the Matching Shares will cease to be subject to the SIP and may be forfeited.

(f) Dividend Shares

The Remuneration Committee may determine that some or all of the cash dividends paid in respect of Free Shares, Partnership Shares or Matching Shares will be re-invested in the purchase of Dividend Shares. Alternatively, participants may be permitted to re-invest cash dividends paid in respect of Free Shares, Partnership Shares or Matching Shares in the purchase of Dividend Shares. Dividend Shares are subject to a three year holding period, but are not subject to forfeiture. The Remuneration Committee may impose a limit on the amount of dividends which may be reinvested in Dividend Shares to be held on behalf of any participant, although there is no statutory maximum. To the extent that the cash dividends exceed any limit imposed, the SIP trustee must pay over cash dividends to the relevant participant as soon as practicable.

(g) Offers

The participant may direct the SIP trustee on the appropriate action to take in relation to any right relating to a participant's SIP Shares to receive other shares, securities or rights of any description, or an offer of cash, or to agree to a transaction pursuant to a compromise, arrangement or scheme in relation to a reconstruction or takeover.

If required to do so by the Company, the SIP trustee will invite participants to direct it how to exercise the voting rights attributable to the SIP Shares held on their behalf and will not exercise those rights other than on the participants' instructions.

(h) Leavers

In general, and subject to any applicable forfeiture provisions, if a participant ceases employment with the Group, the participant's SIP Shares will cease to be subject to the SIP.

Participants will not be liable to income tax or National Insurance contributions on their SIP Shares ceasing to be subject to the SIP on leaving employment with the Group by reason of injury, disability, redundancy, death, retirement, a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006, or following a sale of the company in which they work.

(i) Termination

The Company may resolve to terminate the SIP at any time. On termination, the SIP trustee must remove each participant's SIP Shares from the SIP and transfer them or distribute the proceeds of their sale to the participants as soon as practicable. On termination, the SIP trustee must remove each participant's SIP Shares from the SIP and

transfer them or distribute the proceeds of their sale to the participants within the period prescribed in the SIP.

11.11 **LTIP**

(a) General

The LTIP will permit the grant of (i) rights to acquire Ordinary Shares, which vest if certain conditions are met ("**Conditional Share Awards**") and (ii) Ordinary Shares which are subject to restrictions and the risk of forfeiture ("**Forfeitable Share Awards**", together with the Conditional Share Awards, the "**Awards**").

Conditional Share Awards may be granted as rights which vest automatically, or as nil-cost options. The vesting of Conditional Share Awards may be subject to performance conditions. Where this is the case, they are referred to below as "**Performance Share Awards**". Conditional Share Awards which are not subject to performance conditions (although they may be subject to a performance underpin) are referred to as "**Restricted Share Awards**".

(b) Eligibility

All employees within the Group, including Executive Directors, are eligible to participate in the LTIP. The Executive Directors will participate subject to the terms of the Directors' Remuneration Policy from time to time. The Remuneration Committee will determine which employees will be granted Awards and what type of Awards will be granted. No consideration will be payable by participants on the grant of an Award (save for nominal consideration where the Award is granted other than by deed).

(c) Initial grant of Awards

It is anticipated that the first grant of Awards will be made at or shortly after any Admission to the Executive Directors and senior employees of the Group and for the first grant of Awards, the Remuneration Committee reserves the right to calculate market value by reference to the price of the Ordinary Shares at any Admission. The initial grant to each Executive Director will be as set out in paragraph 8.2 above.

(d) Holding Period

Awards may (and in the case of Awards granted to Executive Directors, will) be granted on terms that Ordinary Shares acquired pursuant to the vesting (and in the case of a nil-cost option, exercise) of the Award may not be transferred, assigned or disposed of without the consent of the Remuneration Committee for a period set by the Remuneration Committee before grant (which will be at least two years from the date of vesting in the case of Awards granted to Executive Directors), save for any Ordinary Shares sold to meet a tax liability arising as a result of the acquisition of the Ordinary Shares. A participant who holds a nil-cost option may comply with this obligation by delaying the exercise of their nil-cost option until the end of the relevant holding period.

(e) Individual limit

The maximum value of Ordinary Shares which may normally be subject to an Award granted to an employee in respect of any financial year as a percentage of the employee's annual basic salary will be up to 200 per cent. (for Performance Share Awards) and up to 100 per cent. (for Restricted Share Awards and Forfeitable Share Awards) (in each case as at the date of grant). This value may be exceeded if the Remuneration Committee thinks that there are exceptional circumstances pertaining to the employee.

(f) Performance condition

The vesting of Performance Share Awards will be subject to the satisfaction of one or more performance condition(s) which will be stated at the date of grant. The Remuneration Committee will determine any performance condition(s) that will apply to an Award and whether and to what extent any performance condition(s) has/have been met. If the Remuneration Committee determines the overall performance of the Company does not warrant the extent of vesting based on the satisfaction of the performance conditions, it may determine a Performance Share Award will vest to a lesser extent.

Performance will be assessed over a period set by the Remuneration Committee on the date of grant, which will normally be at least three years in the case of awards to Executive Directors (the "**Performance Period**").

(g) Normal vesting

Provided that the participant is still employed by the Group (i) Restricted Share Awards will normally vest, following the completion of a period set by the Remuneration Committee on the date of grant; and (ii) Performance Share Awards will normally vest (to the extent the performance condition(s) are satisfied) on the later of the completion of a period set by the Remuneration Committee on the date of grant and the end of the Performance Period (in each case,

the "**Normal Vesting Date**"). Other than in exceptional circumstances (such as to facilitate making awards under the Executive Directors' recruitment policy), the Normal Vesting Date of Awards made to Executive Directors will be no earlier than the third anniversary of the date of grant.

The Ordinary Shares in respect of which an Award has vested will be delivered to the participant within 30 days of vesting. The Ordinary Shares in respect of which an option has been exercised will be delivered to the participant within 30 days of the date of exercise. Once an option has vested, it will normally remain exercisable until the tenth anniversary of its date of grant.

The Remuneration Committee may determine that a participant will receive a cash payment equal to the value of the Ordinary Shares that would have been received instead of Ordinary Shares or the net (after tax) number of Ordinary Shares following the vesting of a Conditional Share Award or the exercise of an option. The Remuneration Committee may scale back the vesting of any Award if it determines that, in its opinion, the vesting outcome does not reflect company or individual performance. Once vested, Ordinary Shares subject to Forfeitable Share Awards will cease to be forfeitable.

Where a participant acquires Ordinary Shares to which a Holding Period applies, the Ordinary Shares will be delivered to a nominee for the participant, or into another arrangement as determined by the Remuneration Committee.

(h) Payment on account of dividends

Following the vesting of a Conditional Share Award or the exercise of an option, a participant may, if the Remuneration Committee so determines, receive in respect of the Ordinary Shares acquired cash or further Ordinary Shares equal in value (so far as possible) to any dividends which would have been received by the participant in respect of the Ordinary Shares acquired had they owned those shares between the date of grant of the Award and its Normal Vesting Date (or, in respect of a nil-cost option which is subject to a Holding Period, the earlier of the date of exercise and the end of the Holding Period).

(i) Malus

The Remuneration Committee may reduce (including to zero) the number of Ordinary Shares subject to an Award following the grant of the Award but before vesting of the Award (or exercise of an option) in circumstances where the Remuneration Committee determines such action is justified, including:

- (i) the discovery that any information used to determine the number of Ordinary Shares subject to an Award was based on an error, or inaccurate or misleading information;
- (ii) action or conduct of a participant which amounts to fraud or gross misconduct;
- (iii) the discovery of a material misstatement resulting in an adjustment in the historical audited accounts of the Group or any Group company;
- (iv) an instance of corporate failure of the Group (e.g. administration or liquidation);
- (v) any other circumstance which, in the Remuneration Committee's opinion, has a significantly adverse impact on the Group's reputation (or which would have had a significantly adverse impact the Group's reputation had it been made public), to justify the operation of malus; or
- (vi) any other applicable circumstances prescribed or recommended by the Group's regulators.

(j) Clawback

In circumstances where the Remuneration Committee determines such action is justified (including in the circumstances in which malus may be applied) the Remuneration Committee may at any time within a period determined at the date of grant of the Award (in accordance with the Company's prevailing malus and clawback policy from time to time), require a participant to transfer any number of Shares or repay any part of a cash amount received in respect of the Award. This obligation may be enforced by the Company by: (i) reducing future Awards; (ii) reducing the number of shares or the amount of cash over which awards subsist under another plan operated by the Group (save for a plan intended to be a tax-advantaged plan); (iii) reducing or cancelling bonuses otherwise payable to the participant; or (iv) requiring the participant to pay a cash sum to the Company.

Awards under the LTIP may be reduced to effect a similar clawback obligation in any other share or cash-based plan operated by the Group from time to time.

(k) Cessation of employment before the Normal Vesting Date

If a participant ceases to be employed within the Group before the Normal Vesting Date of an Award because

of injury, ill health, disability, redundancy or retirement with the agreement of the Company, or because of the sale of the participant's employing company or business out of the Group or for any other reason determined by the Remuneration Committee, the participant's Award will vest on the Normal Vesting Date (or on an earlier date determined at the discretion of the Remuneration Committee).

In such circumstances, options will remain exercisable for a period of 6 months after vesting. An Award held by a participant who dies will vest in full and the Ordinary Shares will be transferred to the participant's personal representatives as soon as practicable. If a participant ceases employment before the Normal Vesting Date in other circumstances the participant's Award(s) will lapse, unless the Remuneration Committee determines otherwise.

If a participant ceases employment after the Normal Vesting Date of an option, the option may be exercised for the period of 6 months (12 months in the case of death) following cessation and will then lapse.

Any applicable holding period will continue to apply after the participant ceases employment (other than due to their death), unless the Remuneration Committee determines otherwise.

(l) Change of control or winding-up of the Company

If there is a change of control or winding-up of the Company, Awards will normally vest (and options become exercisable) in connection with and so as to participate in the relevant event (and the Company may require options to be exercised in advance of and conditional on the occurrence of the relevant event, failing which they will lapse). The Remuneration Committee may decide that Awards will not vest on a change of control but will, with the consent of the acquiring company, be exchanged for equivalent awards over shares in the acquiring or another company.

In the event of a Company reorganisation or merger, where the shareholders of the acquiring company are substantially the same as the Company's shareholders immediately before the change of control, Awards will not vest but will be exchanged for equivalent rights.

(m) Early vesting

If an Award vests before its Normal Vesting Date (following a participant's cessation of employment or a change of control) the Award may be reduced to the extent that the Remuneration Committee determines that any applicable performance condition has not been satisfied, and the number of Ordinary Shares in respect of which the Award will vest will be pro-rated to take account of the time elapsed between the date of grant and the date of the relevant event as a proportion of the Performance Period (in respect of Performance Share Awards) or the period from grant until the Normal Vesting Date (in respect of Restricted Share Awards or Forfeitable Share Awards) save that the Remuneration Committee may determine that an Award will vest as to a greater or lesser number of Ordinary Shares if it believes there are circumstances that warrant such a determination.

12. **Properties, investments, assets**

For further information on the Group's principal properties refer to "*Business Description - Data Centres*" and "*Business Description - Property*".

13. **Material Contracts**

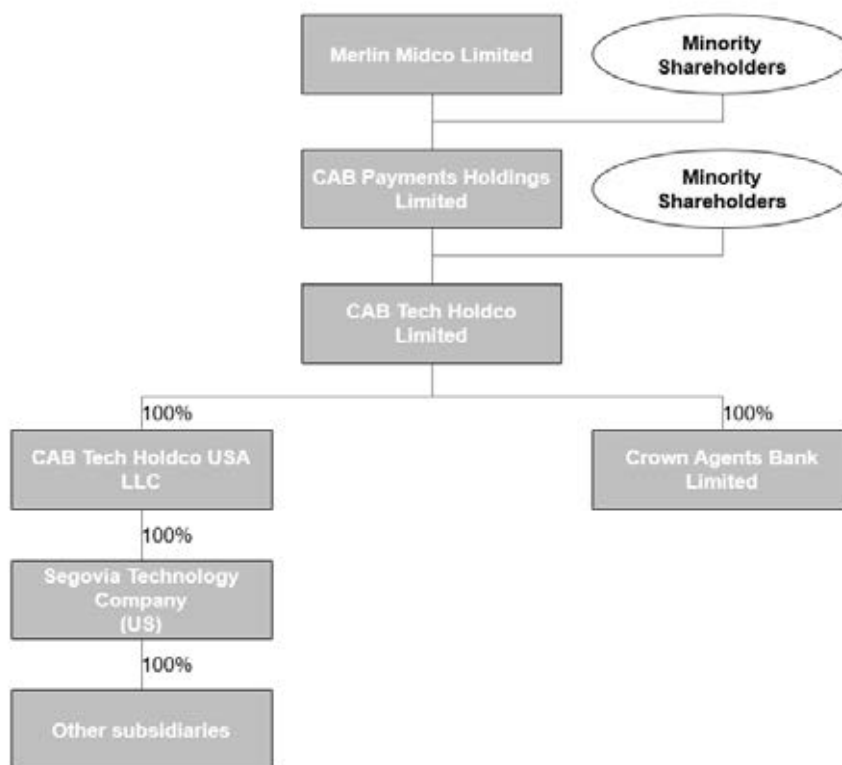
No contracts (other than contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group:

- (a) within the two years immediately preceding the date of this document which are, or may be, material to the Company or any member of the Group; or
- (b) at any time that contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document.

14. Reorganisation

In preparation for any Admission, the Group intends to undertake certain steps as part of a reorganisation of its corporate structure prior to and in connection with any Admission (the "**Reorganisation**"). The result of the Reorganisation will be that, in the event of any Admission, all shareholders of CAB Tech Holdco Limited (other than the Company) will exchange shares in CAB Tech Holdco Limited for Ordinary Shares in the Company.

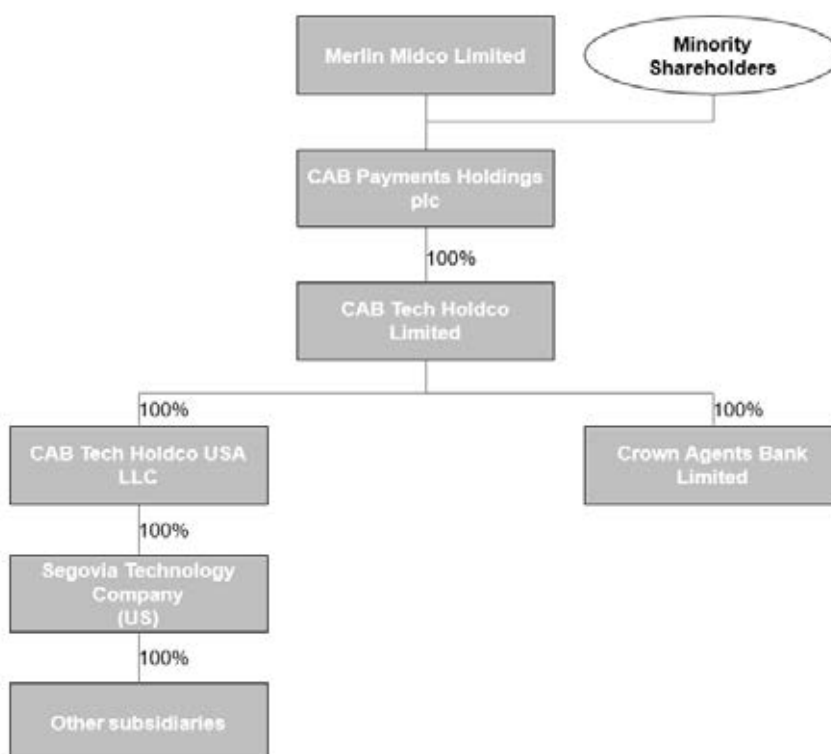
The following diagram illustrates the corporate structure of the Group as at the date of this document:



14.1 Steps under the Reorganisation

- (a) On 7 June 2023, the Company, CAB Tech Holdco Limited and shareholders of such entities entered into or adhered to an implementation agreement (the "**Implementation Agreement**") which, among other things, has committed each party to take the necessary actions (including the giving of any approvals) to implement the Reorganisation. Each of CAB Tech Holdco Limited's shareholders (other than the Company) has agreed pursuant to the terms of the Implementation Agreement to exchange their shares in CAB Tech Holdco Limited for Ordinary Shares in the Company immediately prior to any Admission.
- (b) Prior to any Admission, the Company will be re-registered as a public company limited by shares.
- (c) There are certain existing share plans within the Group structure (please see paragraph 11 above). Following publication of this document, but prior to the share capital reorganisation and the Share Exchange described in sub-paragraph (d) below, and in any event prior to any Admission, any unvested conditional awards and options will vest in full. Participants who hold conditional awards will receive the CAB Tech Holdco Limited shares subject to their awards and participants who hold options will be given the opportunity to exercise their options and acquire CAB Tech Holdco Limited shares in order to participate in the Share Exchange.
- (d) The following steps relating to the Reorganisation are intended to take place after the publication of this document and after the acceleration and exercise of options described in sub-paragraph (c) above, and immediately prior to any Admission:
 - (i) the Company will reorganise the Company's A ordinary shares into a number of A ordinary shares with a nominal value of £0.001 each and the Company's B ordinary shares into a number of B ordinary shares with a nominal value of £0.001 each;

- (ii) the Company will re-designate its existing A ordinary shares and B ordinary shares into a single class of ordinary shares with a nominal value of £0.001 each;
 - (iii) the Company will subdivide or consolidate and subdivide each ordinary share with a nominal value of £0.001 each into such number of ordinary shares with such nominal value as shall be required in connection with any Admission; and
 - (iv) in accordance with the terms of the Implementation Agreement, the Company will acquire the shares held by the other shareholders in CAB Tech Holdco Limited from each of CAB Tech Holdco Limited's other shareholders in exchange for Ordinary Shares issued by the Company (the "**Share Exchange**").
- (e) The following diagram illustrates the expected corporate structure of the Group at any Admission, and following the Reorganisation.



- (f) Prior to any Admission, the articles of association of CAB Tech Holdco Limited will be further amended to consolidate the share capital structure to one class of shares wholly owned by the Company. Any resolutions necessary to effect such changes to CAB Tech Holdco Limited's share capital will be passed by the board of CAB Tech Holdco Limited prior to any Admission.

15. **Material litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months preceding the date of this document which may have, or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

16. **Significant change**

Other than as set out below, there has been no significant change in the financial position or financial performance of the Group since 31 March 2023, being the end of the last financial period for which interim financial information has been published.

Since 31 March 2023, the Group declared dividends (the "**Special dividend**"), the impact of which on the Group's consolidated statement of financial position is a reduction in shareholders' funds of £12.8 million, a reduction of cash and balances at central banks of £10.5 million and a reduction in other assets of £2.3 million (resulting from

the immediate parent of the Principal Shareholder applying part of its proceeds of the Special dividend to repay an outstanding loan of £2.3 million to CAB). All payments in connection with the Special dividend are expected to be paid in full prior to any Admission.

See also, "*Operating and Financial Review—Recent Developments*", Note 44 of the Consolidated Historical Financial Information and Note 22 of the Interim Financial Information.

17. Significant subsidiaries and subsidiary undertakings

The Company is the principal holding company of the Group. The following table sets forth a list of the Group's significant subsidiaries and subsidiary undertakings:

Name ⁽¹⁾	Country of incorporation and registered office	Percentage ownership (direct or indirect)
CAB Tech Holdco Limited	England and Wales	93.03% direct ownership ⁽²⁾
Crown Agents Bank Limited	England and Wales	100% indirect ownership
CAB Europe B.V.	The Netherlands	100% indirect ownership
CAB Tech Holdco USA LLC	United States	100% indirect ownership
Segovia Technology Company (US)	United States	100% indirect ownership
Segovia International Holdings LLC	United States	100% indirect ownership
Segovia Technology International Ltd (Cayman)	Cayman Islands	100% indirect ownership
Segovia Technology Congo SARL	The Republic of Congo	100% indirect ownership
Segovia Technology Cote d'Ivoire SARL	Ivory Coast	100% indirect ownership
Segovia Technology Kenya Limited	The Republic of Kenya	99% indirect ownership
Segovia Technology Liberia Corporation	Liberia	100% indirect ownership
Segovia Technology 454 Limited (Malawi)	Malawi	99% indirect ownership
Segovia Technology Rwanda Corporation Limited	The Republic of Rwanda	100% indirect ownership
Segovia Technology Uganda Company Limited	The Republic of Uganda	100% indirect ownership

⁽¹⁾ There are also three dormant entities in the Group structure which have not been listed above.

⁽²⁾ This subsidiary will be wholly-owned by the Company in the event of any Admission. Please refer to the "Reorganisation" section for further details.

18. Consents

Mazars has given and has not withdrawn its written consent to the inclusion in this document of its accountants' reports on both the audited financials of the Company and the reviewed financial statements of the Company as set out under Sections A and C of "*Historical Financial Information*" and has authorised the contents of those parts of this document which comprise its reports for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules. As the Ordinary Shares have not been and will not be registered under the Securities Act, Mazars has not filed and will not be required to file a consent under the Securities Act.

19. General

The financial information contained in this document does not amount to statutory accounts within the meaning of Section 434(3) of the Companies Act 2006.

20. Third party information

The Group confirms that all third party data contained in this document has been accurately reproduced where relevant and, so far as the Group is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. While the Directors believe the third party information included herein to be reliable, the Group has not independently verified such third party information, and the Group, the Banks, third parties listed herein and the Financial Adviser make no representation or warranty as to the accuracy or completeness of such information as set forth in this document.

Where third party information has been used in this document, the source of such information has been identified.

21. **Documents available for inspection**

Copies of the following documents are available for inspection on the Company's website at <http://www.cabpayments.com> and during usual business hours on any weekday (public holidays excepted) for a period of 12 months from the date of publication of this document at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD:

- (a) the Articles;
- (b) the reports from Mazars set out in "*Historical Financial Information*";
- (c) the Consolidated Historical Financial Information of the Group as at and for each of the three years ended 31 December 2022 and the Interim Financial Information as at and for each of the three months ended 31 March 2022 and 2023;
- (d) the consent letters referred to in "*Consents*" above; and
- (e) this document.

GLOSSARY

The following definitions apply throughout this document unless the context requires otherwise:

"Admission"	admission of the Ordinary Shares to the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with LR 3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards published by the London Stock Exchange
"Addressable Market"	the market addressable by the Group, comprising primarily developed to emerging markets flows, excluding non-LCU flows and non-focus geographies
"AML/CTF laws"	laws and regulations relating to corrupt and illegal payments, counter-terrorism financing, anti-bribery and corruption and adherence to anti-money laundering obligations, as well as laws, sanctions and economic trade restrictions relating to doing business with certain individuals, groups and countries
"API"	the Group's EMpower FX application programming interface
"Articles"	the Company's Articles of Association adopted on 25 October 2022
"APM"	Alternative Performance Measures
"Audit Committee"	the Company's audit committee
"Banking Services"	one of the Group's three business lines
"Board"	the board of directors of the Company
"Business Days"	a day (other than a Saturday, Sunday or public holiday) when banks in the United Kingdom are open for business
"CAB"	Crown Agents Bank Limited, a regulated subsidiary of the Group
"CAGR"	Compound Annual Growth Rate
"CET1"	Common Equity Tier 1
"CHIPS"	Clearing House Interbank Payments System
"COBS 10"	Chapter 10 of the FCA's Conduct of Business sourcebook
"Company"	CAB Payments Holdings Limited
"CRD IV"	Capital Requirements Directive IV
"CRR"	the Capital Requirements Regulation (Regulation (EU) 575/2013)
"currency corridor"	specific combinations of sending currency and receiving currency pairs, or, in some cases, country combinations
"Customer Cohort"	Customers that were onboarded in the period specified
"Directors"	the directors of the Company whose names appear on page 26 of this document
"Disclosure Guidance and Transparency Rules"	the disclosure guidance and transparency rules produced by the FCA and forming part of the handbook of the FCA as, from time to time, amended
"EEA"	European Economic Area
"EIR"	Effective Interest Rate

"EMFI"	Emerging Market Financial Institutions
"ERMF"	Enterprise Risk Management Framework
"ESG"	Environmental, Social and Governance
"EU"	European Union
"EUWA"	the European Union (Withdrawal) Act 2018, as amended
"FCA"	the UK Financial Conduct Authority
"FIEL"	Financial Instruments and Exchange Law, as amended
"FOS"	Financial Ombudsman Service
"FRC"	Financial Reporting Council
"FSCS"	Financial Services Compensation Scheme
"FSMA"	the UK Financial Services and Markets Act 2000, as amended
"FTEs"	Full Time Employees, including temporary contractors and consultants filling in for permanent roles
"FX"	Foreign Exchange. When referring to the Group's services, it refers to one of the Group's business lines, including the Group's spot foreign exchange trading services
"G10"	Belgium, Canada, France, Italy, Japan, the Netherlands, the United Kingdom, and the United States, Switzerland—and the central banks of Germany and Sweden
"GDPR"	the General Data Protection Regulation (EU) 2016/679
"Governance Code"	UK Corporate Governance Code issued by the Financial Reporting Council
"Group"	refers to the Group defined in Note 1 of " <i>Historical Financial Information</i> "
"GUI"	the Group's EMpower FX graphical user interface
"Helios Funds"	Helios Investors III, L.P. and Helios Investors III (A), L.P., who together are the ultimate controllers of the Principal Shareholder
"Historical Financial Information"	the Group's audited consolidated historical financial information as at and for the three years ended 31 December 2020, 2021 and 2022, and unaudited interim condensed consolidated financial information as at and for the three months ended 31 March 2023
"HMRC"	His Majesty's Revenue and Customs, the UK tax department
"IDO"	International Development Organisation
"IFRS"	UK-adopted international accounting standards
"International Sales Policy"	the Group's international sales policy for its entities with sales activities such as CAB
"KYC"	Know Your Customer
"LCR"	Liquidity Coverage Ratio
"LEI"	Legal Entity Identifier
"Listing Rules"	the listing rules of the FCA relating to admission to the Official List

"Local Bank Account Network"	demand accounts in the Group's name held with various local banks across the globe which provide the Group with direct access to local currency where it has such deposits
"London Stock Exchange"	London Stock Exchange plc
"NBFI"	Non-Bank Financial Institution
"netting"	the practice of using funds received from one customer to fulfil an order in that same currency from another customer in order to capture both bid and ask spreads on the transaction
"Nomination Committee"	the Company's nomination committee
"Non-IFRS Measures"	are the following APMs: Adjusted EBITDA, Adjusted EBITDA Margin, Net Revenue Retention, Operating Free Cash Flow, Cash Conversion and average take rate
"Non-LCU"	non local currency, cross border payments that take place with no FX transaction
"NSFR"	Net Stable Funding Ratio Requirement
"OECD countries"	the 38 member countries of the Organisation for Economic Co-operation and Development
"OFAC"	the US Office of Foreign Assets Control
"Official List"	the Official List maintained by the FCA
"Ordinary Shares"	ordinary shares in the capital of the Company
"Payments"	one of the Group's three business lines
"PR Regulation"	Commission Delegated Regulation (EU) 2019/980 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 as it forms part of retained EU law as defined by the European Union (Withdrawal) Act 2018
"PRA"	the UK Prudential Regulation Authority
"Principal Shareholder"	means Merlin Midco Limited, a wholly-owned subsidiary of the Helios Funds
"Prospectus Regulation"	Regulation (EU) 2017/1129
"Prospectus Regulation Rules"	the prospectus regulation rules of the FCA made pursuant to section 73A of the FSMA, as amended
"PSD2"	Payment Services Directive Two
"PSR"	Payments Services Regulations 2017
"QIB"	qualified institutional buyer as defined in Rule 144A
"Registered office of the Company"	Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS, United Kingdom
"Regulation S"	Regulation S under the Securities Act
"revenue"	when referring to the Group's financial results means "revenue, net of interest expense"

"Rule 144A"	Rule 144A under the Securities Act
"SDGs"	UN Sustainable Development Goals
"SEC"	US Securities and Exchange Commission
"Securities Act"	US Securities Act of 1933, as amended
"Senior Management"	the Company's senior management team, consisting of Bhairav Trivedi, Richard Hallett and Chris Green
"SMCR"	Senior Managers and Certification Regime
"Special Dividend"	the dividend defined and described in " <i>Operating and Financial Review—Recent Developments</i> "
"SWIFT"	Society for Worldwide Interbank Financial Telecommunication
"take rate"	a combination of the dealing profit (i.e. the spread between any buy / sell of two FX trades undertaken), the margin added to the transaction (i.e. the fee element agreed with the customer for the transaction), and any additional fees charged; and the take rate is calculated as FX and cross-currency payments income divided by FX and cross currency payments volumes
"Target Market"	the Group's core market today, which excludes large transactions (over \$50 million transaction size) as well as China, India and the above-mentioned free format flows (including sanctioned markets)
"total income"	when referring to the Group's financial results means "total income, net of interest expense"
"TPP"	Third Party Currency Provider
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UKBA"	the UK Bribery Act 2010
"UK GDPR"	the UK General Data Protection Regulation as defined by the DPA as amended by the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019
"UK Market Abuse Regulation"	Regulation (EU) 596/2014, as it forms part of UK law by virtue of the EUWA, as amended from time to time
"UK Prospectus Regulation"	the Prospectus Regulation (EU) 2017/1129, as amended, which is part of UK law by virtue of the EUWA
"UN"	United Nations
"US" or "United States"	the United States of America, its territories and possessions and any State of the United States of America and the District of Columbia
"VAT"	Value Added Tax