

**CABIM**

# CABIM Limited

Annual Report and Financial  
Statements for the year ended 31  
December 2020

**Registered Number**

09659405

**Registered Office:**

Quadrant House

The Quadrant

Sutton

Surrey SM2 5AS

WEDNESDAY



\*AA4B98LN\*

A20

12/05/2021

#202

COMPANIES HOUSE

## Contents

Directors for the period ended 31 December 2020.....	3
Strategic Report for the year ended 31 December 2020 .....	6
Directors' Report for the period ended 31 December 2020 .....	9
Independent auditors' report to the members of CABIM Limited .....	13
Consolidated Income Statement for the year ended 31 December 2020 .....	17
Consolidated and Company Balance Sheets as at 31 December 2020 .....	18
Company Statement of Changes in Equity for the year ended 31 December 2020 .....	20
Consolidated Statement of Changes in Equity for the year ended 31 December 2020 .....	21
Consolidated Cash Flow Statement for the year ended 31 December 2020 .....	22
Notes to the Financial Statements for the period ended 31 December 2020 - Contents .....	23

**Directors for the period ended 31 December 2020****Jeremy Parrish – Chairman and Independent Non-Executive Director**

Jeremy Parrish joined the Board in 2017 with over four decades of banking experience. After starting his career with the ANZ Grindlays Group (which included postings to Hong Kong and Switzerland), he joined Standard Chartered Bank in 1994 as Head Of Corporate Banking, Europe. Following further international postings to Singapore and Tokyo, he returned to London as the Regional Head of Wholesale Banking for Europe. In 2005, after five years in the role, he was transferred to Abu Dhabi as CEO and, from 2010, as CEO UAE with overall responsibility for the UAE area. In 2011 he returned to Switzerland as CEO of Standard Chartered Bank, Switzerland. He is currently a non-executive director and Chairman of Julius Baer International Ltd. He is also Chairman of Anglo Gulf Trade Bank in Abu Dhabi, UAE and an advisor to Deloitte Financial Advisory.

Jeremy is also a director of various other group companies – Crown Agents Bank Limited, Crown Agents Investment Management Limited and CAB Tech HoldCo Limited.

**Nick Beecroft – Senior Independent Non-Executive Director (resigned 1 April 2020)**

Nick Beecroft joined the Board in April 2016. He brings over 30 years of international experience within the financial services industry, including senior managerial roles within Global Markets at Standard Chartered Bank, Deutsche Bank and Citibank. Nick was a member of the Bank of England's Foreign Exchange Joint Standing Committee and is currently a Non-Executive Director at National Bank of Egypt UK.

Nick was also a director of various other group companies – Crown Agents Bank Limited and CAB Tech HoldCo Limited.

**Arnold Ekpe – Non-Executive Director**

Arnold Ekpe joined the Board in April 2016 and has degrees in engineering and business administration. He has over 30 years of experience of international banking. He has previously served as the CEO of the two leading Pan African banks, Ecobank and UBA and was responsible for developing Citibank's corporate and structured trade finance business in Sub Saharan Africa.

He is currently the Chairman of Baobab, the leading France based pan African Microfinance Banking Group; non-executive director of the Dangote Group, the leading pan-African industrial group; Senior Adviser and member of the Investment Committee of US based Equator Capital Partners LLC; non-executive director of Aavishkaar Venture Management Services, India; and Chairman of the Business Council for Africa.

Arnold is also a director of various other group companies – Crown Agents Bank Limited, Crown Agents Investment Management Limited and CAB Tech HoldCo Limited.

**Simon Poole - Non-Executive Director**

Simon Poole joined the Board in April 2016 bringing with him broad finance and administration experience across a range of businesses in numerous African countries. Previously, he was a CFO with Intel Global Ltd, Lawson's Corporation and Celtel International (in Burkina Faso, Chad and DRC). Earlier in his career he held finance and accounting roles with Price Waterhouse, Bank of America and BT. Since 2011, he has been an Operating Partner with Helios Investment Partners. He was previously a director of both Helios Towers Africa Limited and Vivo Energy Limited. He currently serves on the boards of directors of Link Commerce Limited (previously Mall for Africa Limited) and Solevo B.V.

He received his BSc in Geography from Exeter University, UK. He qualified as a Chartered Accountant with Price Waterhouse and is a member of the Institute of Chartered Accountants in England and Wales. Simon is fluent in French.

---

## Directors for the period ended 31 December 2020

### **Simon Poole - Non-Executive Director (continued)**

Simon is also a director of various other group companies – Crown Agents Bank Limited, Crown Agents Investment Management Limited and CAB Tech HoldCo Limited.

### **Bhairav Trivedi – Chief Executive Officer (from 1 March 2021)**

Bhairav joined the Board in March 2021. He brings over 30 years' experience in financial services, with a core focus on digital payments, cross-border remittances and fintech development. His previous roles include that of Group CEO of Network International Payment Solutions, a UAE-based payments provider for the Middle East and Africa. He has been President and Chief Operating Officer of Sigue Global Services Ltd., a global money transfer company, and was Managing Director, Global Head of Remittance Services at Citi's Global Transaction Services from 2008 to 2010. He also founded PayQuik (later acquired by Citi) and has worked at McKinsey and Company, Fair Isaac and Providian Bancorp. He joins us after a nine-month stint as Group CEO of LSE-listed Finabl.

Bhairav holds an MBA from the Wharton School of the University of Pennsylvania, a Masters in Engineering Economic Systems from Stanford University and an undergraduate degree in Engineering from Birla Institute of Technology, India. He has also been in the Indian Navy.

Bhairav is also a director of various other group companies – Crown Agents Bank Limited and CAB Tech HoldCo Limited.

### **Albert Maasland – Executive Director**

Albert joined the Board in 2017. He started his career in banking at Chase Manhattan Bank – later JP Morgan – and during his 11 years career was involved in transforming and building a range of highly successful and profitable business units. This included launching the first generation of cross-border electronic transaction banking services and setting up teams in global cash management, institutional and Custody areas before he moved to the Markets division as Head of FX sales for Chase.

Albert later became Global Head of Business Development at HSBC Markets before tackling the transformation of the FX business at Deutsche Bank, helping steer them from 24th to the number one FX provider worldwide. He took on various other roles before joining the Deutsche Bank Wholesale and the Investment Bank's Management Committee.

He founded or co-founded a number of start up businesses before returning to banking and helped establish the global e-commerce business at Standard Chartered before moving to Saxo Bank where he fulfilled numerous roles including CEO of Saxo Bank UK and then Chairman of Saxo Capital Markets UK. He was CEO of Knight Capital Europe and subsequently KCG Europe before becoming Group CEO of Crown Agents Bank Limited, Crown Agents Investment Management Limited and CABIM Limited in February 2017. He also joined the board of another group company, CAB Tech HoldCo Limited, in February 2019.

**Directors for the period ended 31 December 2020 (continued)****Richard Hallett – Chief Financial Officer**

Richard Hallett joined CABIM Limited group companies, Crown Agents Bank Limited and Crown Agents Investment Management Limited, as Chief Financial Officer in June 2016 and CAB Tech HoldCo Limited in February 2019. He joined the Board of CABIM Limited in 2020. Richard's career spans more than 25 years in top tier financial services organizations with an extensive track record across Investment Banking, Commercial and Retail Banking sectors both regionally and globally. He was formally CFO of Barclays Africa and CFO of Absa Capital. Previous roles to this include UK & Europe CFO and Global Business Unit Controller at RBS, Managing Director, European Head of Fixed Income Product Control and Global Head of Interest Rates Product Control at Morgan Stanley, and Director and Global Head of Expense Management at Credit Suisse First Boston. Richard started his career at Price Waterhouse, is a qualified accountant and holds a BSc. (Hons) in Chemistry from the University of East Anglia.

**Chris Green – Chief Risk Officer (appointed 11 September 2020)**

Chris joined the CABIM Limited group on 30 March 2020 as Chief Risk Officer and Head of Compliance and was appointed the Board later that year. Chris has 25 years of corporate financial services experience mainly in senior risk leadership roles. He joined from Royal Bank of Scotland where 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 their businesses both in France and EMEA.

At GE Capital, Chris led the operational delivery and process transformation for credit origination, transaction management and in-life credit risk stewardship, managing an SME and corporate portfolio of ~£100Bn across the suite of lending products and industry sectors. He is passionate about people leadership, development and inclusiveness, leading end-to-end lending journey transformation activities including digital and automated credit decisioning.

Chris is also a director of various other group companies – Crown Agents Bank Limited, Crown Agents Investment Management Limited and CAB Tech HoldCo Limited.

**Doug MacLennan – Chief Risk Officer (resigned 28 February 2020)**

Doug MacLennan joined the Board in April 2016, having previously joined the Board of Crown Agents Bank Limited in December 2012, as both CFO and CRO. He stepped down from the CFO position in June 2016 to focus on the development of the risk management function within the CABIM Limited group.

He has been involved in the UK Financial Services Industry for over 30 years within Investment Banking, Broking, and Global Custody, including previous appointments as Director of Finance at Merrill Lynch Limited; Deputy Managing Director at Sanwa International; Finance Director at the Bank of China International; and Senior Vice President of Risk Management at Northern Trust. Doug is a member of the Institute of Chartered Accountants of Scotland, and a Fellow of the Chartered Institute for Securities and Investments.

## Strategic Report for the year ended 31 December 2020

### Review of Performance

On 31 March 2016, CABIM Limited (“the Company”) purchased the entire share capital of Crown Agents Bank Limited (“the Bank”, a regulated UK bank) and Crown Agents Investment Management Limited (“CAIM”, a regulated UK asset management company). Since then, the Company, through its operating entities, has made significant year on year progress expanding upon the trusted position held by entities in the group with its Government, Central Bank and International Development organisation clients whilst further developing and extending relationships with a wide array of Fintech payment and other Non-Bank Financial Institutions (NBFIs) and Commercial Banks. The targeted scaling up of our Frontier and Emerging market FX and digital payment capabilities is steadily taking place with balance being maintained between revenue growth and continued investment. The shift in focus in the Bank to less capital intensive payments and spot FX product specialising in cross border flows with rapidly developing Frontier and Emerging markets is expected to result in continued meaningful growth over the investment cycle.

As reported in last year’s annual report, we successfully closed the acquisition of Segovia Technology Company (“Segovia”) and related entities via a newly formed intermediate holding company at the 2019 half year. The US-based B2B payment gateway software company has since been working with the Bank to incorporate the payment gateway software and mobile network operator integrations as part of the digital transformation of the Bank’s infrastructure. In the course of 2020, the Bank acquired the Payment Gateway IP from Segovia Technology Inc. Through intra-group agreements the acquisition is providing greater connectivity and payment distribution options as well as adding highly talented engineering, network and other skills to the Group’s entities.

The Group’s operating entities including the Bank, CAIM and Segovia successfully transitioned to fully remote/work from home in March 2020 and have continued to operate largely in this manner since that time. As reported in last year’s Post Year End notes to the accounts, all our businesses continued to perform well despite the upheavals resulting from the pandemic. As CEO and as a Board, we have considered and are confident, in particular, in the Bank’s ability both to continue as a going concern and our ability to continue to successfully roll out our business strategy.

In May 2020, a highly experienced CEO was recruited to take over the responsibility for running CAIM (our Asset Management business) with a mandate to develop and execute against a longer term strategy for the business. As part of the Board approved strategy, CAIM received an additional capital injection of £0.5m in February 2021.

Despite the worldwide impact of the global pandemic, 2020 has seen continued growth in overall revenues for the Bank on the back of material growth in the strategic business lines tempered by declines in revenue from legacy business activities. The Bank has reported a very creditable annual pre-tax profit of £1.3m whilst CAIM, as expected, reported a small pre-tax loss of £0.2m. Segovia results were impacted by the one-off sale of certain IP rights to the Bank in the course of the year.

**Strategic Report for the year ended 31 December 2020 (continued)****Review of Performance (continued)**

The Group results have similarly been extremely encouraging as set out below:

	2016		2017		2018		2019		2020	
	£'000	£'000	Δ %	£'000	Δ %	£'000	Δ %	£'000	Δ %	
Operating income	8,255	17,626	114%	26,010	48%	33,241	28%	36,904	11%	
Administrative expenses	12,215	16,324	34%	19,819	21%	26,948	36%	35,077	30%	
Profit/(loss) on ordinary activities before exceptional items and tax	(4,762)	337	n/a	4,831	1334%	3,470	-28%	(3,901)	n/a	
	£M	£M	Δ %	£M	Δ %	£M	Δ %	£M	Δ %	
Total assets	872	996	14%	1,139	14%	1,220	7%	1,172	-4%	

I look forward with confidence to continued progress as we enter 2021 with excellent business development momentum underpinned by a solid execution strategy and a controlled risk environment.

As part of transition plans discussed and agreed with the Chairman, Board our principal regulator and our principal shareholders, I have stepped down as Group CEO and CEO of the Bank as of the beginning of March 2021 after handing over the role of CEO for CAIM in the course of 2020. It has been a tremendous honour to lead the transformation of the Group since stepping into the role in 2017 and I look forward to witnessing the ongoing development of all parts of the Group as a Non Executive Director.

**Principal Risks and Uncertainties**

The principal risks facing the Company and the Group are liquidity, capital, credit, operational (including operational resilience), market (interest and currency), financial crime, and compliance risks. Further details are provided in note 25 on pages 55-60.

The Board is cognisant of the ongoing challenges and risks posed by the outbreak of Coronavirus19. The impacts of the pandemic have been fully considered within the capital, liquidity and funding planning processes which are central to the going concern review performed as at the year end.

In addition Management has considered very carefully two specific aspects in relation to Coronavirus19 as follows:

**Remote Working:** since 24 March 2020, the effective operational start of the Covid pandemic in the UK, the Group has continued to operate successfully in a changed environment with all of its staff having the ability to work remotely and from home. In particular the Group has been conscious of the needs of staff, both physical and mental, and has done everything possible to ensure their wellbeing. During this time, and throughout the different lockdown periods, the Group has been able to continue normal business operations, including full functionality and with no interruption. All transactions and interactions with client/counterparties have operated broadly as normal. Operational Resilience and reported incidents were closely monitored and managed.

**Strategic Report for the year ended 31 December 2020 (continued)****Principal risks and uncertainties (continued)****Remote Working (continued)**

The Group's key supplier/service organisations have continued to provide uninterrupted service throughout the pandemic. Of those considered most important to the operations of the Group:

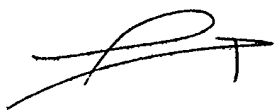
- Building and property - access and use of the Group's head office remained available where required (albeit as above the Group is fully operational with its entire workforce working remotely at home).
- Professional services- no disruption was noted in this regard and services continue as normal across the Group.
- Software- all platforms, including the core banking and FX trading continue to function with full support as required. Such firms are typically well used to working from home/ remotely.

Throughout the Covid-19 pandemic in the UK, the Group has continued working in line with UK Government Guidelines and liaising with UK Finance to ensure the Group's approach is both understood, and in line with the UK Financial Services industry.

**Risk Profile:** the risk profile of the Group has remained stable and within the Board approved risk appetite.

Many of the Group's products are linked to the provision of international banking and payment services. Short-term client credit risk exposures are generally only put in place to assist the transactional flows of correspondent banking relationships and to support the wholesale transactional banking business model. Settlement risk during the period was carefully monitored and remained within appetite. The Group's infrastructure continued to allow and manage this with no issues operationally. The Group does not have a commercial loan book.

The Group proactively reduced some risk exposure as appropriate in light of market conditions, which impacted Trade Finance and Net Interest Income (NII) revenue streams.



A Maasland  
Director

30 March 2021

## Directors' Report for the period ended 31 December 2020

The Directors submit their report and the audited financial statements of the Company for the year ended 31 December 2020.

### Principal Activity

The Company does not trade in its own right but is the holding company of a number of subsidiaries (direct and indirect) as follows:

1. The Bank is regulated bank which provides banking services particularly as a digital FX and payment partner for a globally diversified wholesale customer base wishing to make payments in local currency across Frontier and Emerging markets. The Bank is authorised by the Prudential Regulation Authority ("the PRA"), and regulated by the PRA and the Financial Conduct Authority ("the FCA").
2. CAIM, which provides investment management services to the central bank and pension fund sectors. CAIM is authorised and regulated by the FCA.
3. Segovia, a US based fintech company.
4. CAB Tech HoldCo Limited ("CTH"), the non-trading holding company of Segovia.

### Future Developments/Outlook

On the back of an understandable loss given the pandemic, the Company via its operating entities, remains well positioned to reap the benefits of its substantial and ongoing investment, not least into staff, IT (both software and infrastructure), risk management, network, product and business development activities. The Group continues to make progress in establishing itself as an important Frontier and Emerging market FX and payment provider with additional steps approved by the Bank's Board in 2020 to progress with a comprehensive digital transformation of the operational infrastructure in order to materially decouple headcount growth from transaction growth.

### Dividends

No interim dividend was paid during 2020 (2019: £nil) and no final dividend (2019: £nil) will be declared.

### Political Donations

No political donations were made by the Company or the Group in 2020 (2019 - £nil).

### Employee Matters

The Company had no employees.

#### (a) Employee Engagement Survey

On an annual basis the Group carries out an Employee Engagement Survey. Through a company-wide questionnaire and a series of focus groups, the Group explores how it measures up to its stated values/ industry benchmark and how well engaged employees are with their roles. The most recent survey, carried out in late 2020 was specifically designed to ask questions about employees experience that have taken centre stage as a result of the pandemic, and political and social injustice movements. The focus was on how well we have done in supporting our employees through the pandemic and creating an inclusive and fair place to work. This was consistent with industry practice for 2020.

**Directors' Report for the period ended 31 December 2020 (continued)****Employee Matters (continued)****(b) Disabled Persons**

Our commitment is to employ talented staff. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Group continues. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of persons fortunate enough not to suffer from a disability.

**(c) Employee Involvement**

The Group uses a variety of methods to disseminate relevant information to its employees. All managers hold regular meetings with their staff for this purpose, at which there are also opportunities for employees to contribute their ideas to the development of management policy. There is also Conduct and Culture Forum and a Culture Champion Forum sponsored by an executive manager and led by the employees. The purpose of these forums is to enable us to build an engaging, inclusive and collaborative culture. In addition, further information is given at quarterly townhall meetings hosted by the Chief Executive Officer, through the intranet, notices and via webinars/ training programmes.

**(d) Gender diversity**

The proportion of women and men employed across the Group the business is 38% and 62% respectively. Group companies have in place policies to actively increase gender diversity within the business, which actively focusses on recruitment, flexible working and senior management sponsorship of diversity throughout its business.

**Climate Change**

The Company is conscious of the Streamlined Energy and Carbon Reporting requirements requiring it to disclose energy and carbon information within this report. However, currently, the Company does not meet the reporting thresholds. Whilst the Group exceeds the relevant thresholds to report such information, none of the individual Group companies do so and therefore such information is not provided.

**Directors**

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

J Parrish\* (Chairman)  
 N Beecroft\* (resigned 1 April 2020)  
 A Ekpe\*\*  
 S Poole\*\*  
 B Trivedi (appointed 1 March 2021)  
 A Maasland  
 R Hallett  
 C Green (appointed 11 September 2020)  
 D MacLennan (resigned 28 February 2020)

\* independent non-executive director

\*\* non-executive director

## **Directors' Report for the period ended 31 December 2020 (continued)**

### **Statement of Directors' Responsibilities in respect of the Financial Statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

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

### **Directors' confirmations**

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

## **Directors' Report for the period ended 31 December 2020 (continued)**

### **Directors' Indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Bank also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

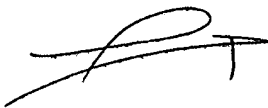
### **Shareholders Matters**

As laid out in its Articles Of Association, the Company has dispensed with holding annual general meetings and with the laying of financial statements before shareholders in general meeting.

### **Independent auditors**

In line with regulatory requirements relating to their period of tenure, PricewaterhouseCoopers LLP will be resigning as the Company's auditors. The Company will be appointing Mazars LLP as auditors for the year ended 31 December 2021.

By order of the Board,



A Maasland  
Director

30 March 2021

## **Independent auditors' report to the members of CABIM Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, CABIM Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheets as at 31 December 2020; the consolidated income statement, the company statement of changes in equity, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

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

#### **Independence**

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

#### **Conclusions relating to going concern**

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

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

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

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

---

## **Independent auditors' report to the members of CABIM Limited (continued)**

### **Report on the audit of the financial statements (continued)**

#### **Reporting on other information**

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

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

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

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

#### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

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

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

## **Independent auditors' report to the members of CABIM Limited (continued)**

### **Report on the audit of the financial statements (continued)**

#### **Responsibilities for the financial statements and the audit (continued)**

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

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's ('FCA'), the Prudential Regulation Authority's ('PRA') regulations and the UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creation of fictitious transactions to hide losses or to improve financial performance and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with and reports to the regulators, including the PRA and FCA;
- Reviewing customer complaints for any indication that there has been a breach of relevant laws and regulations or instances of fraud;
- Identifying and testing journal entries meeting specific fraud criteria, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Assessment of matters reported on the whistleblowing platform and the results of management's investigation of such matters; in so far as they related to the financial statements;
- Performing procedures to confirm existence of transactions including obtaining confirmations from third parties; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the capitalisation of internally generated intangible assets, impairment of intangible assets and impairment of investment in subsidiaries.

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

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

**Independent auditors' report to the members of CABIM Limited (continued)**

Report on the audit of the financial statements (continued)

**Responsibilities for the financial statements and the audit (continued)**

**Use of this report**

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

**Other required reporting**

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Liam Thompson-Clarke (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

2 April 2021

**Consolidated Income Statement for the year ended 31 December 2020**

	Note	Consolidated	
		2020 £'000	2019 £'000
Interest income			
- interest receivable from debt securities		2,274	5,370
- other interest receivable and similar income		7,023	20,063
Interest payable		(5,126)	(16,069)
<b>Net interest income</b>		<b>4,171</b>	<b>9,364</b>
Fees and commissions receivable	2	13,651	13,947
Foreign exchange – transaction and other income		18,707	9,514
Other income		375	416
<b>Operating income</b>		<b>36,904</b>	<b>33,241</b>
Administrative expenses	3	(35,078)	(26,948)
Amortisation	4	(3,966)	(2,144)
Depreciation	5	(702)	(615)
Impairments	4	(949)	-
Write-offs and provisions for doubtful debts		(110)	(64)
<b>(Loss)/ profit before taxation</b>		<b>(3,901)</b>	<b>3,470</b>
Tax charge on (loss)/ profit	6	(375)	(949)
<b>(Loss)/ profit for the financial year</b>		<b>(4,276)</b>	<b>2,521</b>
<b>(Loss)/ profit attributable to:</b>			
Owners of the parent		(4,088)	2,469
Non-controlling interests		(188)	52
		<b>(4,276)</b>	<b>2,521</b>

There were no other items of Comprehensive Income (2019: £nil).

The results for the year are wholly attributable to continuing operations.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company Profit and Loss account. The Company's loss for the year totalled £1,658,677 (2019: £98,400 loss).

The notes on pages 24 to 68 form part of these financial statements.

**Consolidated and Company Balance Sheets as at 31 December 2020**

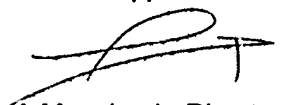
	Note	Company		Consolidated	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Assets</b>					
Investments in subsidiary undertakings	7	<b>66,291</b>	67,624	-	-
Cash and balances at central banks		-	-	<b>677,864</b>	579,088
Loans and advances to banks	8	-	-	<b>226,424</b>	381,092
Loans and advances to related parties	9	-	-	-	2,146
Debt securities	10	-	-	<b>162,370</b>	155,046
Money Market Funds	11	-	-	<b>52,740</b>	60,601
Investments	12	-	-	<b>126</b>	2,106
Derivative financial instruments	13	-	-	<b>2,305</b>	1,958
Intangible assets	4	-	-	<b>22,524</b>	20,759
Tangible fixed assets	5	-	-	<b>2,515</b>	2,511
Deferred tax	14	-	-	<b>48</b>	-
Other assets	15	<b>501</b>	1	<b>20,866</b>	11,667
Prepayments and accrued income		-	-	<b>3,783</b>	3,182
<b>Total Assets</b>		<b>66,792</b>	<b>67,625</b>	<b>1,171,565</b>	<b>1,220,156</b>

**Consolidated and Company Balance Sheets as at 31 December 2020**

	Note	Company		Consolidated	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Liabilities</b>					
Customer accounts	16	-	-	1,070,272	1,124,593
Bank overdrafts		296	196	-	70
Items in course of transmission		-	-	-	339
Derivative financial instruments	13	-	-	13,474	5,978
Other liabilities	17	772	-	7,826	7,214
Accruals and deferred income		50	96	6,429	4,503
<b>Capital and reserves</b>					
Called up share capital	18	67,510	67,510	67,510	67,510
<b>Retained earnings</b>					
As at 1 January		(177)	(79)	5,460	(379)
(Loss)/ profit for the year attributable to the owners		(1,659)	(98)	(4,088)	2,469
Share based payment reserve		-	-	505	80
Other changes in retained earnings	19	-	-	(493)	3,290
As at 31 December		(1,836)	(177)	1,384	5,460
Equity attributable to owners of the parent		65,674	67,333	68,894	72,970
Non-controlling interests	29	-	-	4,670	4,489
Shareholders' funds		65,674	67,333	73,564	77,459
<b>Total Equity and Liabilities</b>		<b>66,792</b>	<b>67,625</b>	<b>1,171,565</b>	<b>1,220,156</b>

The notes on pages 24-68 form part of these financial statements.

The Board of Directors approved the financial statements on 30 March 2021.

  
A Maasland - Director

  
R Hallett - Director

**Company Statement of Changes in Equity for the year ended 31 December 2020**

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total shareholders funds</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance as at 1 January 2019</b>	67,510	(79)	67,431
Loss for the financial year	-	-(98)	(98)
<b>Balance as at 31 December 2019</b>	<u>67,510</u>	<u>(177)</u>	<u>67,333</u>
<b>Balance as at 1 January 2020</b>	67,510	(177)	67,333
Loss for the financial year	-	(1,659)	(1,659)
<b>Balance as at 31 December 2020</b>	<u>67,510</u>	<u>(1,836)</u>	<u>65,674</u>

The directors have not declared an interim dividend (2019: £nil) and do not recommend a final dividend (2019: £nil).

**Consolidated Statement of Changes in Equity for the year ended 31 December 2020**

	<b>Consolidated</b>		
	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total shareholders funds</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance as at 1 January 2019</b>	67,510	(379)	67,131
Profit for the financial year	-	2,521	2,521
Share based payment reserve	-	80	80
Other movements in retained earnings	-	3,296	3,296
Non-controlling interest arising on business combination	-	4,431	4,431
<b>Balance as at 31 December 2019</b>	<b>67,510</b>	<b>9,949</b>	<b>77,459</b>
<b>Balance as at 1 January 2020</b>	67,510	9,949	77,459
Profit for the financial year	-	(4,276)	(4,276)
Share based payment reserve	-	505	505
Other movements in retained earnings	-	(124)	(124)
<b>Balance as at 31 December 2020</b>	<b>67,510</b>	<b>6,054</b>	<b>73,564</b>

**Consolidated Cash Flow Statement for the year ended 31 December 2020**

	Note	2020 £'000	2019 £'000
<b>Net Cash Inflow from Operating Activities</b>	21	<b>12,466</b>	138,845
Tax paid		<b>(218)</b>	(591)
<b>Net Cash Generated from Operating Activities</b>		<b>12,248</b>	138,254
<b>Cash flow from Investing Activities</b>			
Sale/ (purchase) of investments		<b>1,974</b>	(1,891)
Purchase of tangible fixed assets	5	<b>(707)</b>	(403)
Purchase of intangible fixed assets	4	<b>(6,545)</b>	(7,969)
<b>Net cash used in Investing Activities</b>		<b>(5,278)</b>	(10,263)
<b>Increase in cash and cash equivalent</b>		<b>6,970</b>	127,991
Cash and cash equivalents at the beginning of the year		<b>802,424</b>	675,906
Cash and cash equivalents acquired via share acquisition		-	363
Bank overdrafts		<b>(69)</b>	(310)
Exchange (losses)/ gains on cash and cash equivalents		<b>(4,157)</b>	(1,526)
Cash and cash equivalents at the end of the year		<b>805,168</b>	802,424
<b>Cash and cash equivalents consists of:</b>			
Cash and balances at central banks		<b>677,864</b>	579,088
Loans and advances to banks repayable on demand		<b>74,564</b>	162,735
Money market funds (OEICs)		<b>52,740</b>	60,601
		<b>805,168</b>	802,424

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12(b) not to present the Company statement of cash flows.

**Notes to the Financial Statements for the period ended 31 December 2020 - Contents**

<b>Note</b>	<b>Page No</b>
1. Statement of accounting policies	24
2. Fees and commissions receivable	33
3. Administrative expenses	33
4. Intangible assets	36
5. Tangible fixed assets	37
6. Tax on (loss)/ profit	38
7. Investments in subsidiary undertakings	39
8. Loans and advances to banks	40
9. Loan and advances to related parties	42
10. Debt securities	42
11. Money Market Funds	44
12. Investments	44
13. Derivative financial instruments	44
14. Deferred tax	46
15. Other assets	47
16. Customer accounts	47
17. Other liabilities	48
18. Called up share capital	48
19. Other changes in retained earnings	49
20. Contingent liabilities	49
21. Notes to the consolidated cash flow statement	50
22. Capital management	51
23. Financial instruments	52
24. Commitments	54
25. Risk management	55
26. Currency risk	61
27. Interest rate sensitivity gap analysis	62
28. Holding company	63
29. Business combinations	64
30. Non-controlling interests	65
31. Related undertakings	66
32. Credit exposure	67
33. Related party transactions	67

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****1. STATEMENT OF ACCOUNTING POLICIES****(a) General Information**

CABIM 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 is the holding company of a trading subsidiary and an intermediate holding company of further trading subsidiaries. The Company does not trade in its own right.

**(b) Statement of Compliance**

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The principal accounting policies are set out below and have been consistently applied throughout the year.

**(c) Basis of Preparation**

The consolidated financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and Applicable Accounting Standards in the United Kingdom, apart from derivatives, money market funds and exchange traded funds which have been accounted for at fair value.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(o).

**(d) Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries.

A subsidiary is an entity controlled directly or indirectly by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively. Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings.

The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)****(d) Basis of consolidation (continued)**

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. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements as appropriate. 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.

All intra-Group transactions; balances, income and expenses are eliminated on consolidation.

**(e) Going concern**

The directors have considered the financial position of the Company, including the net current asset position, regulatory capital requirements and estimated future cash flows and have concluded that the Company will be able to meet its obligations as they fall due. Accordingly, the financial statements have been prepared on the going concern basis.

**(f) Interest income and expense**

Interest income and 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 income statement 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 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.

**(g) Recognition of income**

Income relating to fees earned, reimbursable expenditure from clients, interest receivable and interest payable, is recognised on an accruals basis in the periods in which it is earned. Mark to market movements in derivatives are recognised through Foreign Exchange – Transaction And Other Income. Mark to market movements on money market funds and exchange traded funds are recognised through Other Income.

**(h) Foreign Exchange – Transaction And Other Income**

Such profits arise and are recognised at the time of translation or when the transactions from customer orders are undertaken in both spot and forward currency markets.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)****(i) Foreign currency****(i) Functional and presentation currency**

The financial statements are presented in pounds sterling and rounded to thousands. The Company's functional and presentation currency is pounds sterling.

**(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 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 income statement.

**(j) Provisions for doubtful debts**

Specific provisions for doubtful debts are recognised if there is objective evidence that an impairment or loss has been incurred. Provisions are calculated as the difference between the carrying value and the future discounted estimated cash flows.

**(k) Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets or liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the period end.

Deferred taxation is provided at anticipated tax rates, using the full provision method, on all timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date with certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)****(l) Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. As decided by the directors, 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 (or over the remainder of the initial 10 year period, if less)

Other software – 5 years (or over the life of the license if less)

Brand/name – 50 years

Goodwill – 10 years

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 Bank 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 expenditures that do 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.

**(m) Tangible fixed assets and depreciation**

Tangible fixed assets are stated in the balance sheet 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. Assets are depreciated from the date they are brought into use. 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
Fixtures and fittings	5 years
Artwork	20 years

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)****(n) Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

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.

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 statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

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 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.

**(o) Critical judgements and estimates in applying the accounting policy**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The assets acquired in relation to the purchase of Segovia Technology Company in 2019 have been fair valued for consolidation purposes, particularly re goodwill.

**Goodwill and investments in subsidiary undertaking**

For the purposes of the impairment review the Group is obliged to make various judgements, as follows:

- (i) **Forecasts:** the forecasts underlying the value in use calculations are based on the most recent forecasts presented to the Boards of the respective Group companies. Such forecasts rely on management judgement.
- (ii) **Terminal value:** for the purposes of calculating the terminal value of the cash flow in perpetuity, and for the sake of prudence, a nil growth rate was assumed.
- (iii) **Discount rate:** the value in use calculation is based on the present value of forecast cash flows. A discount rate of 12% has been applied to calculate the present value of the free cash flow.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)****(o) Critical judgements and estimates in applying the accounting policy (continued)****Goodwill and investments in subsidiary undertaking (continued)**

Note: The goodwill relating to Crown Agents Investment Management Limited has been written down to £nil. Investments in subsidiaries were written down by £1.6m and could be reversed should the performance of the company improves in line with the latest forecasts prepared in relation to the new strategy.

**Deferred tax**

Tax losses have been recognised on the balance sheet at the corporation tax rates expected when the appropriate future profits will be generated. Management are confident that the Bank will make such profits in the future to utilise such carried forward tax losses.

**(p) Cash and cash equivalents**

Cash and cash equivalents includes 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).

**(q) 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.

For the purpose of the impairment assessment, goodwill acquired in a business combination is allocated to each of the cash generating units that is expected to benefit from the synergies of the combination.

The recoverable amount of a cash generating unit is the higher of its fair value less cost to sell, and its "value in use" being the present value of its expected free cash flows.

If the recoverable amount is less than the carrying value, an impairment loss is charged to the profit and loss account. Goodwill is accounted for at cost less amortisation less accumulated impairment losses.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)****(r) Financial instruments**

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets****Basic Financial Instruments**

Basic financial assets, including loans and advances to banks, debt securities and trade debtors are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Debt Securities and Certificates of Deposit are purchased for liquidity purposes and are generally held to maturity. As such they are stated at amortised cost on an effective interest rate basis.

Exchange traded funds are deemed to be equity and valued at fair value. Due to the uncertainty of the income re the exchange traded fund, such income is accounted for on declaration of the dividend.

**Complex Financial Instruments**

Money market funds are deemed to be Complex Financial Instruments and 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.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)****(r) Financial instruments (continued)****(ii) Financial liabilities**

Basic financial liabilities, including customer deposits and trade creditors, are classified as debt and are initially recognised at transaction price.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**(iii) Derivative financial instruments**

The Group's derivatives policy only permits dealing in forward foreign exchange contracts and deposit linked swaps to hedge or provide services to customers. Derivative financial instruments are not basic financial instruments.

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. Changes in the fair value of derivative financial instruments are recognised in the income statement in Dealing Profits.

Hedge accounting is not applied.

**(iv) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements 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.

**(s) 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.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)****(s) Employee benefits (continued)****Long Term Incentive Plan and Restricted Shares/ Restricted Share Units Plan**

- (i) The group provides share-based payment arrangements to certain employees.
- (ii) Equity-settled arrangements are measured at fair value at the date of the grant. 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.
- (iii) Where equity-settled arrangements are modified, 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. 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 income statement.

The group has no cash-settled arrangements.

**(t) Exceptional Items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items that are material either because of their size or their nature and are considered as non-recurring. In 2020 and in 2019 there were none.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****2. FEES AND COMMISSIONS RECEIVABLE**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Fees and commissions receivable:		
Account management and payments	<b>6,501</b>	5,625
Pension payment fees	<b>1,084</b>	908
Trade finance	<b>1,012</b>	1,276
Asset management fees	<b>2,696</b>	3,230
Electronic platform fees	<b>1,368</b>	1,025
Risk assessment services	<b>990</b>	1,883
<b>Total fees and commission receivable</b>	<b>13,651</b>	<b>13,947</b>

**3. ADMINISTRATIVE EXPENSES**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs and directors' emoluments (before exceptional item)		
Salaries and bonuses	<b>17,693</b>	13,798
Share based payments	<b>511</b>	98
Social security costs	<b>2,005</b>	1,541
Pension costs	<b>970</b>	797
	<b>21,179</b>	16,234
Fees payable to the auditors		
Audit		
1. Current year	<b>410</b>	263
2. Prior year	<b>75</b>	-
Audit related services	<b>40</b>	38
Non-audit services		-
<b>Other administrative expenses</b>	<b>13,374</b>	<b>10,413</b>
	<b>35,078</b>	<b>26,948</b>

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****3. ADMINISTRATIVE EXPENSES (continued)**

The aggregate emoluments of the directors of Group companies (including pension contributions and exit compensation) were £3,258,629 (2019: £1,945,685) and include £25,000 (2019: £25,000) payable to a third party in relation to the fees of one (2019: one) director (see note 32A).

The aggregate emoluments (including pension contributions and exit compensation) of the Group's key management (excluding directors) were £1,927,080 (2019: £2,008,341).

Included in the aggregate emoluments above, the Group has made contributions of £58,432 (2019: £34,625) on behalf of four directors (2019: two) to a defined contribution pension scheme. No retirement benefits accrued for any director (2019: none) under a defined benefit pension scheme.

The aggregate emoluments and accrued pension contributions of the highest paid director in the Group were £604,582 (2019: £429,848) and £nil (2019: £nil) per annum respectively. In addition, the director is due to receive £200,000 (2019 - £nil) compensation re loss of office.

Across the Group there were loans outstanding at the year end to three (2019 – three) directors totalling £21,930 (2019 - £21,930) and to five (2019 - five) key management totalling £10,615 (2019 - £10,615). The loans do not accrue interest and are repayable on the occurrence of the earliest of a number of events.

The Company has no employees (2019: none) and its directors are not remunerated. All employees and directors of Crown Agents Bank limited and Crown Agents Investment Management Limited are paid by Crown Agents Bank Limited, with which they have contracts of employment.

The monthly average number of full time equivalent staff employed within the Group, including executive directors, was 202 (2019: 203).

A defined contribution pension scheme has been set up which all employees of Crown Agents Bank Limited and Crown Agents Investment Management Limited are able to join. The Group contributed £970,240 (2019: £797,069) to this scheme during the year of which all but £87,773 (2019: £73,399) was paid during the year. The Segovia Group does not operate a pension scheme.

**Share Based Payment Schemes****Share Based Scheme 1**

In 2017 an equity settled share based payment scheme was put in place to incentivise senior management. During the year no (2019 – no) directors and no (2019 – no) key management of/ employed by Crown Agents Bank Limited, purchased the equitable interest in none (2019 – none) of the Company's £1 Ordinary Shares (Class B), at a cost of £1.00 per share. The equitable interest in the shares vest at various times as follows:

Vesting Date 31 March	Tranche 1 Issued 2017	Tranche 2 Issued 2018
2018	40%	-
2029	20%	-
2020	20%	40%
2021	20%	20%
2022	-	20%
2023	-	20%
	<u>100%</u>	<u>100%</u>
Equitable interest in shares issued	<u>8,500</u>	<u>1,750</u>

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****3. ADMINISTRATIVE EXPENSES (continued)**

The interest in 230 (2019 – 1,000) shares was cancelled during the year. The movement in the equitable interest in the number of shares is as follows:

	2020 number	2019 number
As at 1 January	8,250	9,250
Granted (paid £1.00)	-	-
Cancelled (tranche 1)	-	-
Cancelled (tranche 2)	<u>(230)</u>	<u>(1,000)</u>
As at 31 December	<u>8,020</u>	<u>8,250</u>

Depending on the outcome of a number of future events, the class of shares will be entitled to receive a proportion of the return to the Company's parent on its underlying investment.

**Share Based Scheme 2**

In 2019, following the purchase of the Segovia Group, incentives in the shares of CAB Tech HoldCo limited were allocated to various individuals employed within the Segovia Group. 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.

**Restricted Share Awards**

During the year, no (2019 – 3) directors and no (2019 – 4) key management within the Group were awarded a total of no (2019 – 851,699) Restricted Shares (Class B £1 Ordinary Shares) in CAB Tech Holdco Limited. 157,808 (2019 – 693,891) Restricted Shares were issued during the year. 271,705 (2019 - nil) Restricted Shares were removed from the scheme during the year.

**Restricted Share Unit Awards**

During the year, no (2019 – 2) directors and no (2019 – 31) key managers within the Group were awarded a total of no (2019 – 1,213,528) Restricted Share Units (Class B £1 Ordinary Shares) in CAB Tech Holdco Limited. None (2019 – none) of the Restricted Share Units were cancelled during the year. No (2019 – no) shares in relation to the Restricted Share Units were issued during the year. 53,517 (2019 – nil) Restricted Share Units were cancelled during the year).

The interest in both the Restricted Share and Restricted Share Units vests at various times depending on the continued employment of the employees involved as follows:

Date	Vesting %
26 March 2020	40
26 March 2021	40
26 September 2021	<u>20</u>
	<u>100</u>

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 the assets/investments of CAB Tech HoldCo Limited following a report provided by external consultants.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****4. INTANGIBLE ASSETS**

	<b>Consolidated</b>				<b>Total £'000</b>
	<b>Goodwill £'000</b>	<b>Core Accounting Software £'000</b>	<b>Other Software £'000</b>	<b>Brand/ Other £'000</b>	
<b>Cost</b>					
At 1 January 2020	9,073	5,129	11,197	1,482	26,881
Additions	141	136	6,398	10	6,685
Impairments	(949)	-	-	-	(949)
Disposals	-	-	(286)	-	(286)
<b>At 31 December 2020</b>	<b>8,265</b>	<b>5,265</b>	<b>17,309</b>	<b>1,492</b>	<b>32,331</b>
<b>Accumulated Amortisation</b>					
At 1 January 2020	1,453	2,163	2,489	17	6,122
Disposals	-	-	(281)	-	(281)
Charged in year	893	642	2,395	36	3,966
<b>At 31 December 2020</b>	<b>2,346</b>	<b>2,805</b>	<b>4,603</b>	<b>53</b>	<b>9,807</b>
<b>Net book value</b>					
<b>At 31 December 2020</b>	<b>5,919</b>	<b>2,460</b>	<b>12,706</b>	<b>1,439</b>	<b>22,524</b>
At 31 December 2019	7,620	2,966	8,708	1,465	20,759

The goodwill relates to the acquisitions:

- (i) by the Company, on 31 March 2016, of the entire share capital of both Crown Agents Bank Limited ("CAB"), a regulated wholesale bank, and Crown Agents Investment Management Limited ("CAIM"), a regulated investment management company; and
- (ii) by the Group, on 1 July 2019, of the entire share capital of Segovia Technology Company, a US based fintech company (see Note 28).
- (iii) The addition in 2020 relates to an adjustment to the net assets of Segovia Terchnology Company on acquisition.

The Company had no Intangible Assets throughout 2019 and 2020.

Cash Generating Units: the cash generating units allocated to the goodwill relating to the Group's acquisitions is as follows:

Goodwill Relating To Purchase Of	Cash Generating Unit
Crown Agents Bank Limited	Crown Agents Bank Limited
Crown Agents Investment Management Limited	Crown Agents Investment Management Limited
Segovia Technology Company	Crown Agents Bank Limited

The goodwill impairment noted above relates to the entire goodwill in relation to the purchase of CAIM. The carrying value of the associated cash generating unit is £3,638,000. See also Note 7 for further information relating to the impairment.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****5. TANGIBLE FIXED ASSETS**

	Consolidated			Total £'000
	Leasehold Property £'000	Computer Equipmen t £'000	Fixtures & Fittings £'000	
<b>Cost</b>				
At 1 January 2020	122	1,308	2,097	3,527
Additions	-	655	51	706
Disposals	-	(104)	-	(104)
<b>At 31 December 2020</b>	<b>122</b>	<b>1,859</b>	<b>2,148</b>	<b>4,129</b>
<b>Accumulated depreciation</b>				
At 1 January 2020	23	592	401	1,016
Charge to P&L	22	296	384	702
Disposals	-	(104)	-	(104)
<b>At 31 December 2020</b>	<b>45</b>	<b>784</b>	<b>785</b>	<b>1,614</b>
<b>Net book value</b>				
<b>At 31 December 2020</b>	<b>77</b>	<b>1,075</b>	<b>1,363</b>	<b>2,515</b>
At 31 December 2019	99	716	1,696	2,511

The Company had no Tangible Fixed Assets throughout 2019 and 2020.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****6. TAX ON (LOSS)/ PROFIT****A. Analysis of Tax Charge for the Year**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current Tax</b>		
Corporation tax based on the taxable (loss)/ profit for the year	-	782
Prior year adjustment	(23)	-
Utilisation of tax losses	-	(226)
	<u>(23)</u>	<u>556</u>
<b>Deferred Tax</b>		
Prior year	13	(114)
Utilisation of tax losses	24	355
Impact of tax rate changes	55	-
Origination and reversal of timing differences	306	152
	<u>398</u>	<u>393</u>
<b>Total tax charge for the year</b>	<u><b>375</b></u>	<u><b>949</b></u>

**B. Factors Affecting Tax Charge for the Year**

The tax assessed for the year is higher (2019: higher) than the standard rate of Corporation Tax in the UK.

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
(Loss)/ profit before taxation	<u>(3,901)</u>	<u>3,470</u>
Standard rate corporation tax of 19.00% on profit before taxation (2019: 19.00%)	(741)	659
Effect of:		
- expenses not deductible for tax	343	155
- timing differences	-	(205)
- adjustment to prior year	-	127
- losses not available for group relief	680	174
- impact of overseas tax rates	48	-
- tax rate changes	55	-
Prior year adjustments/ other	(10)	39
<b>Total tax charge for the year</b>	<u><b>375</b></u>	<u><b>949</b></u>

The Company had no tax charge in 2019 or 2020.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

Investments in subsidiary undertakings were as follows:

	<u>Company</u>	
	2020	2019
	£'000	£'000
At 1 January	67,624	66,309
Additions	272	1,315
Impairments	(1,605)	-
Disposals	-	-
At 31 December	<u>66,291</u>	<u>67,624</u>

	<u>Company</u>	
	2020	2019
	£'000	£'000
Analysed as		
CAB Tech Holdco Limited	63,345	63,073
Crown Agents Investment Management Limited	2,946	4,551
	<u>66,291</u>	<u>67,624</u>

No dividends were paid by any subsidiary during the year (2019 - £nil).

The impairment noted above relates to the investment in CAIM. The impairment review was performed on the carrying values of the investment using a discount rate of 19% which included a 7% risk premium. The review considered a value in use calculation based on Board approved budgets/forecasts and a present value of the resulting free cash flow having adjusted for non cash items (amortisation and depreciation), any capex spend and changes in capital requirements.

. The effect of a change in the discount rate on the impairment is as follows:

Change In Discount Rate	+2%	+1%	0%	-1%	-2%
Change In Impairment £'000	329	173	0	(197)	(419)

A 10% reduction in the underlying cash flow would increase the impairment by £262,000.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****8. LOANS AND ADVANCES TO BANKS****A By External Long-Term Credit Rating\*:**

	<b>Consolidated</b>			
	<b>2020</b>		<b>2019</b>	
	<b>No.</b>	<b>£'000</b>	<b>No.</b>	<b>£'000</b>
AA	2	19,405	2	34,716
AA-	5	3,442	7	12,572
A+	6	56,903	10	139,075
A	7	67,424	8	98,562
A-	4	18,152	6	29,288
BBB+	4	14,304	4	10,607
BBB	2	38	-	-
BBB-	1	6	2	8,492
BB+	-	-	3	6,703
BB-	2	544	-	-
B+	2	16	1	7
B	-	-	2	2,074
B-	5	3,285	4	759
Unrated**	74	42,905	50	38,237
		<b>226,424</b>	<b>122</b>	<b>381,092</b>

\* based on a basket of credit rating agencies, all approved by the European Central Bank.

\*\* cash collateral of £15,445,000 (2019 - £6,342,000) is held re the unrated exposures which largely relate to nostro balances and trade finance exposures.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****8. LOANS AND ADVANCES TO BANKS (continued)****B By Maturity:**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Repayable on demand	<b>74,565</b>	162,735
Other loans and advances by residual maturity repayable:		
- 3 months or less excluding overnight deposits	<b>83,734</b>	128,061
- 1 year or less but over 3 months	<b>68,125</b>	90,296
	<b>226,424</b>	<b>381,092</b>

**C By Country – location of counterparty:**

	<b>Consolidated</b>	
	<b>2020</b>	<b>Restated 2019</b>
	<b>£'000</b>	<b>£'000</b>
UK	<b>35,304</b>	39,720
Europe	<b>25,447</b>	47,407
Japan	<b>3,143</b>	23,728
US	<b>34,374</b>	83,760
China	<b>51,729</b>	56,928
Middle East	<b>18,534</b>	43,410
Far East	<b>7,774</b>	31,277
Africa	<b>46,529</b>	45,090
Other	<b>3,590</b>	9,772
	<b>226,424</b>	<b>381,092</b>

The 2019 figures were originally produced on the basis of the location of the office of the counterparty. For 2020 it was deemed more appropriate to base the analysis on the location of the incorporated entity. The 2019 figures have been restated accordingly.

There are no (2019: £nil) amounts included in Loans and Advances to Banks outstanding as at 31 December 2020 that are overdue.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****9. LOANS AND ADVANCES TO RELATED PARTIES**

The Group's Loans and Advances to Banks include £12,341,163 of encumbered assets (2019: £1,830,592) in relation to derivative contracts with other financial institutions.

The Company had no Loans and Advances to Banks in 2020 (2019 - none).

The Group had no (2019: one) exposures to an unrated UK registered company, Taptap Send UK Limited, a company of which Michael Faye, a director of a group company, CAB Tech Holdco Limited, is a shareholder and Chief Executive Officer. The exposure was cash collateralised.

The Group also owed money to Taptap Send UK limited.

The Company had no such exposures (2019: none).

**10. DEBT SECURITIES**

The Group's debt securities consist of certificates of deposit and fixed rate bonds issued (or guaranteed) by central and private banks. The fair value of these securities was as follows:

	Consolidated			
	2020		2019	
	Book Value £'000	Market Value £'000	Book Value £'000	Market Value £'000
<b>Certificates of deposits</b>				
- Principal	-	-	51,508	51,508
- Accrued interest	-	-	127	127
<b>Fixed rate bonds</b>				
- Principal (US Treasury Bills)	84,924	85,384	67,949	68,251
- Principal (other fixed rate bonds)	76,645	76,986	34,991	35,238
- Accrued interest	801	801	471	471
<b>At 31 December</b>	<b>162,370</b>	<b>163,171</b>	<b>155,046</b>	<b>155,595</b>

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****10. DEBT SECURITIES (continued)****A By External Long-Term Credit Rating\*:**

	Consolidated			
	2020		2019	
	No.	£'000	No.	£'000
AAA	4	141,678	3	85,875
AA	2	11,099	1	3,805
AA-	-	-	2	7,632
A+	3	9,593	2	19,051
A	-	-	2	17,419
BBB+	-	-	1	11,267
BBB	-	-	1	9,997
<b>At 31 December</b>	<b>9</b>	<b>162,370</b>	<b>12</b>	<b>155,046</b>

**B By Country – location of counterparty:**

	Consolidated	
	2020	2019
	£'000	£'000
UK	9,641	55,377
Other Europe	18,484	17,697
USA	116,875	68,173
Canada	-	10,001
Other	17,370	3,798
<b>At 31 December</b>	<b>162,370</b>	<b>155,046</b>

**C By Maturity:**

The maturity profile of the debt securities is provided in Note 25.

The Company had no Debt Securities throughout 2019 and 2020.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****11. MONEY MARKET FUNDS**

	Consolidated	
	2020 £'000	2019 £'000
Open Ended Investment Companies		
Goldman Sachs USD Liquidity Reserve Fund	-	45,391
Goldman Sachs USD Treasury Liquid Reserves Fund	32,962	-
Black Rock ICS USD Liquidity Fund	8,790	7,565
JP Morgan USD Liquidity LVNAV Fund	10,987	7,565
Accrued interest	1	80
	<b>52,740</b>	<b>60,601</b>

The funds are all rated AAA based on a basket of credit ratings agencies, all approved by the European Central Bank.

The Company had no Money Market funds throughout 2020 and 2019.

**12. INVESTMENTS**

	Consolidated	
	2020 £'000	2019 £'000
30 shares in SWIFT SCRL	126	119
Exchange Traded Funds		1,987
	<b>126</b>	<b>2,106</b>

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.

The exposure to exchange traded funds relates to the purchase of shares in the African Domestic Bond Fund a US\$ denominated fund managed by MCB Capital Markets. The exposure was sold in 2020.

Apart from investments in subsidiary undertakings (see Note 7) the Company held no other investments throughout the current or prior year.

**13. DERIVATIVE FINANCIAL INSTRUMENTS**

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arm's length transaction, calculated at market rates current at the balance sheet date. Positive fair values arise where gross positive fair values exceed gross negative fair values on a contract by contract basis. This equates to replacement cost. The totals of positive and negative fair values arising on trading derivative financial instruments at the balance sheet date have been netted where the Group has a legal right of offset with the relevant counterparty. The total positive fair values after netting equates to net replacement cost, which is regarded as the maximum credit exposure. No credit value/ debit value adjustments were made to arrive at the fair value of derivative financial instruments.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****13. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

The Group's derivative financial instruments are forward foreign exchange contracts used to hedge foreign exchange in order to reduce risk and are matched against the underlying asset/ liability. At 31 December the positive and negative fair values of the derivative financial instruments are set out below:

Forward Foreign Exchange:	Consolidated		
	Notional Principal £'000	Positive Fair Value £'000	Negative Fair Value £'000
2020	<u>764,508</u>	<u>2,305</u>	<u>13,474</u>
2019	<u>702,894</u>	<u>1,958</u>	<u>5,978</u>

The forward foreign exchange contracts have been transacted to economically hedge assets and liabilities in foreign currencies. The net unrealised loss (2019 – loss) at the balance sheet date is £11,169,343 (2019 - £4,037,015). These derivative financial instruments and the underlying transactions they hedge will mature during 2021 (2019 -2020).

The Company had no derivative financial instruments throughout 2019 or 2020.

**Fair value methodology:**

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. 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 other than observable 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 Bank has classified its financial instruments into the three levels. An explanation of each level follows underneath the table. Assets and liabilities carried at fair value have been categorised using a fair value hierarchy as detailed below:

**Fair value hierarchy:****Level 1 - Quoted price for an identical asset in an active market**

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. The Group's exposure to exchange traded funds (see Note 12) is included in this category.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****13. DERIVATIVE FINANCIAL INSTRUMENTS (continued)****Level 2 – Price of a recent transaction for an identical asset**

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 an instrument are observable, the instrument is included in level 2. All derivative financial instruments are foreign exchange contracts and money market funds are included in level 2.

Money market funds and exchange traded funds are deemed to be Complex Financial Instruments and 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.

**Level 3 – Valuation technique (ie internal models with significant unobservable market parameters)**

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.

**14. DEFERRED TAX****A. Deferred Tax Asset**

The deferred tax asset recognised in the financial statements is as follows:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January (at 19%; 2019: 19%)	-	226
UK tax losses charged / (released) to P&L	48	(130)
Adjustment to prior year tax losses	-	(96)
At 31 December (at 17%; 2019: 19%)	<b>48</b>	-

**B. Deferred Tax Liability**

The deferred tax liability recognised in the financial statements is as follows:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January (at 19%; 2019: 20%)	466	428
Charge to profit and loss	373	38
At 31 December (at 17%; 2019: 19%)	<b>839</b>	466

The Company had no deferred tax assets or liabilities in 2019 or 2020.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****14. DEFERRED TAX (continued)****B. Deferred Tax Liability (continued)**

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 these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period and the deferred tax liability, by £24,503.

**15. OTHER ASSETS**

	Company		Consolidated	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade debtors	-	-	61	303
Unsettled foreign exchange transactions*	-	-	18,273	9,853
Transactions debited in error**	-	-	59	375
Balances due from group companies	500	-	-	-
Corporation tax refund	-	-	125	-
Balances with mobile network operators	-	-	2,082	606
Other assets	1	1	266	530
	<b>501</b>	<b>1</b>	<b>20,866</b>	<b>11,667</b>

\* these amounts were settled early the following year

\*\*these amounts were debited from the nostro account by the correspondent bank in error and credited back early the following year.

**16. CUSTOMER ACCOUNTS**

	Consolidated	
	2020 £'000	2019 £'000
Repayable on demand	421,941	543,597
Other customers' accounts with agreed maturity dates or periods of notice by residual maturity repayable:		
3 months or less	548,544	542,000
1 year or less but over 3 months	99,196	38,942
2 years or less but over 1 year	591	54
	<b>1,070,272</b>	<b>1,124,593</b>

The Company had no Customer Accounts throughout 2019 and 2020.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****17. OTHER LIABILITIES**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	301	621
Corporation tax	-	91
Deferred tax	839	469
Unsettled foreign exchange transaction	2,094	2,904
Funds received in error	422	2,287
Funds received in advance	2,212	-
Related parties	500	83
Other creditors	1,458	759
	<b>7,826</b>	<b>7,214</b>

The Company had no Other Liabilities throughout 2020 and 2019.

**18. CALLED UP SHARE CAPITAL**

	<b>Company and Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted, issued and fully paid (£1 Ordinary Shares)</b>		
As at 1 January/31 December	<b>67,500</b>	<b>67,500</b>
<b>Allotted, issued and fully paid (£1 Ordinary Shares - Class B)</b>		
As at 1 January/ 31 December	<b>10</b>	<b>10</b>
<b>Total share capital – as at 31 December</b>	<b>67,510</b>	<b>67,510</b>

There are no restrictions on the distribution of dividends and the repayment of capital.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****19. OTHER CHANGES IN RETAINED EARNINGS**

	Consolidated	
	2020 £'000	2019 £'000
Fair value ascribed to the purchase of Segovia*	141	7,709
Less non-controlling interest on acquisition (Note 29)		(4,431)
Change in non-controlling interest due to share vesting	(337)	-
Adjustment due to cancelled shares	(272)	-
Share based payment (net)	(25)	12
	<u>(493)</u>	<u>3,290</u>

\* the addition in 2020 related to an adjustment to the 2019 transaction which occurred in 2020.

**20. CONTINGENT LIABILITIES**

	Consolidated	
	2020 £'000	2019 £'000
Guarantees	2,225	11,384
Letter of credit confirmations/ bill acceptances	69,920	70,012
	<u>72,145</u>	<u>81,396</u>

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 £56,772,655 (2019: £56,126,629) was held in respect of the assets underlying the contingent liabilities noted above.

The Company had no Contingent Liabilities throughout 2019 and 2020.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****Reconciliation of loss before taxation to net cash inflow from operating activities**

	Consolidated	
	2020 £'000	2019 £'000
Loss/ (profit) before taxation	(3,901)	3,470
Increase in prepayments and accrued income	(601)	(1,845)
Increase in accruals, provisions and deferred income	2,874	1,103
Effect of currency exchange rate changes	(4,657)	(11,945)
Effect of other mark to market revaluations	-	(96)
Amortisation	3,966	2,155
Depreciation	703	647
<b>Net cash (outflow)/ inflow from trading activities</b>	<b>(1,616)</b>	<b>(6,511)</b>
Net (decrease)/ increase in collections/transmissions	(339)	64
Net decrease/ (increase) in advances to banks	59,616	(109,088)
Net decrease/ (increase) in advances to related parties	2,146	(2,146)
Net (decrease)/ increase in deposits by customers	(27,140)	98,825
Net (increase)/ decrease in debt securities	(11,653)	162,049
Net increase in other assets	(9,246)	(3,846)
Net increase/ (decrease) in other liabilities*	183	(600)
Share based payment charge	511	98
Loss on disposal of fixed assets	4	-
<b>Net cash inflow from operating activities</b>	<b>12,466</b>	<b>138,845</b>

\* excludes the effect of non-cash flow items.

Note: being a non-cash transaction, the effects of the Segovia purchase in 2019 have not been included within the reconciliation provided above.

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12(b) not to present the Company statement of cash flows.

---

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****22. CAPITAL MANAGEMENT**

Companies 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.

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.

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](http://www.crownagentsbank.com)). These disclosures are not audited.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)**
**23. FINANCIAL INSTRUMENTS**

The carrying values of the financial assets and liabilities are summarised by category below:

	Company		Consolidated	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Financial Assets</b>				
<i>Measured at fair value through profit and loss</i>				
Money market funds	-	-	52,740	60,601
Exchange traded funds	-	-	-	1,987
Derivative financial instruments - foreign exchange related contracts	-	-	2,305	1,958
	<u>-</u>	<u>-</u>	<u>55,045</u>	<u>64,546</u>
<i>Measured at amortised cost</i>				
Cash and balances at central banks	-	-	677,864	579,088
Loans and advances to banks (Note 8)	-	-	226,423	381,092
Loans and advances to related parties	-	-	-	2,146
Debt securities (Note 10)	-	-	162,370	155,046
Investments*	-	-	126	119
Other assets	1	1	20,865	11,667
Accrued income	-	-	1,744	1,464
	<u>1</u>	<u>1</u>	<u>1,089,392</u>	<u>1,130,622</u>

\* 2019 - Excluding exchange traded funds

	Company		Consolidated	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Financial Liabilities</b>				
<i>Measured at fair value through profit and loss</i>				
- Derivative financial instruments - foreign exchange related contracts	-	-	13,474	5,978
	<u>-</u>	<u>-</u>	<u>13,474</u>	<u>5,978</u>
<i>Measured at amortised cost</i>				
- Customer accounts	-	-	1,070,272	1,124,593
- Bank overdrafts	296	196	-	70
- Items in course of transmission	-	-	-	339
- Creditors	-	-	1,758	1,381
- Accruals	50	32	6,421	3,908
	<u>346</u>	<u>228</u>	<u>1,078,451</u>	<u>1,130,291</u>

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****23. FINANCIAL INSTRUMENTS (continued)****(a) Classification of financial assets and liabilities at fair value through profit or loss**

Forward foreign exchange contracts and currency swaps have been transacted to economically hedge assets and liabilities in foreign currencies with movements recognised at fair value through profit or loss. Money market funds and exchange traded funds are valued at fair value based on the price a willing buyer would pay for the asset.

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 Bank.

Any gain or loss is taken through the profit and loss account.

**(b) Amounts recognised in profit or loss**

The income, expense and changes in fair values of financial assets at fair value through profit or loss recorded in the income statement is as follows:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Revaluation of money market funds	-	-
Revaluation of exchange traded funds	-	96
Expense from forward foreign exchange contracts*	<b>(7,222)</b>	<b>(1,492)</b>
	<b><u>(7,222)</u></b>	<b><u>(1,396)</u></b>

\* 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 balance sheet throughout the year.

The Company had no financial assets valued at fair value through profit and loss throughout 2019 and 2020.

**(c) Risk exposure and fair value measurements**

Information about the methods and assumptions used in determining fair value is provided in note 13 above.

**(d) 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 in Note 10.

**(e) Impairment and risk exposure**

There were no materially impaired debtors (2019: £nil). Information about the impairment of trade and other debtors, their credit quality and the Group's exposure to credit risk can be found in the accounting policy note for financial instruments and note 31 below.

**(f) Financial liabilities measured at amortised cost**

The carrying amounts of trade creditors and other creditors are approximately the same as their fair values due to their short-term nature.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****24. COMMITMENTS****Capital Commitments**

Group: capital commitments that have been contracted but not provided for in the financial statements amounted to £nil (2019: £nil) and which have been approved but not contracted amounted to £nil (2019: £nil).

Company: capital commitments that have been contracted but not provided for in the financial statements amounted to £nil (2019: £nil) and which have been approved but not contracted amounted to £nil (2019: £nil). The amounts involved were contracted by a Group company on behalf of the Company.

**Operating lease commitments**

The Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods

Payment Due	2020 £'000	2019 £'000
Not later than one year	578	513
Later than one year and not later than five years	1,414	2,263
Later than five years	-	-
	<u>1,992</u>	<u>2,776</u>

The lease payments charged as an expense for the year totalled £529,386 (2019: £529,386).

The Company had no lease payments under non-cancellable operating leases during 2020 or 2019.

**Other Commitments**

During the year the Bank 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	2019 £'000
Not later than one year	500	-
Later than one year and not later than five years	8,120	-
Later than five years	-	-
	<u>8,620</u>	<u>-</u>

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****25. RISK MANAGEMENT**

Through its normal operations, the Group is exposed to a number of risks, which are captured by the risk Taxonomy. The Group's 'level 1' risks are:

- Liquidity and Funding
- Capital Adequacy
- Market (Interest Rate Risk in the Banking Book and Foreign Exchange Risk)
- Credit
- Operational
- Financial Crime
- Compliance
- Conduct
- Strategic and Business

The respective Group boards are responsible for determining the long-term strategy of the business, the markets in which they will operate and the level of risk acceptable, as defined by Risk Appetite Statements and related Risk Appetite Thresholds and limits.

Responsibility for the management of exposure to capital adequacy risk, liquidity and funding risk, interest rate and foreign exchange risks is delegated to the Asset and Liability Committee (ALCO), and that relating to credit risk is delegated to the Credit Committee. Responsibility for the monitoring and reporting of Operational, Financial Crime, Conduct and Compliance risks is delegated to the Compliance and Operational Risk Committee (CORC); and all other risks, including Strategic and Business Risks are delegated to the Executive Committee (ExCO). Board Audit and Risk Committee (BRC) plays a key oversight role in the development of policies and procedures, evaluating risk levels and reporting to the respective boards on risk issues.

**Capital adequacy risk:** The risk of having insufficient capital to pay liabilities in the event that unexpected losses were to occur. This may be during the normal course of business or under a stress scenario.

The capital adequacy risk appetite is to ensure that CET1 ratio exceeds the total capital requirement (TCR) at all times, even during a severe but plausible stress, and also the overall capital requirement (OCR) during non-stressed periods.

Capital adequacy is subject to daily monitoring against internally agreed Board Risk Appetite Threshold Statements and Early Warning Indicator levels, the calibration and selection of which are informed by the outcomes of the annual Internal Capital Adequacy Assessment Process (ICAAP)

**Liquidity Risk:** The risk that THE GROUP cannot meet its obligations in a timely manner as they fall due. This may be during the normal course of business or under a stress scenario.

The liquidity risk appetite is to ensure that adequate liquidity is held at all times, by meeting the 30 Day OLAR<sup>1</sup> stress and a holding a level of surplus HQLA over and above minimum regulatory liquidity requirements, such that there is no significant risk that its liabilities cannot be met as they fall due, whether in business-as-usual or in a stress.

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. Liquidity is subject to daily monitoring against internally agreed Board Risk Appetite Threshold

<sup>1</sup> The Overall Liquidity Adequacy Rule (OLAR) stress reports whether the Bank has surplus liquidity at 30/45/60 days depending on a firm based measure of inflows and outflows in a stressed environment.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****25. RISK MANAGEMENT (continued)**

**Liquidity Risk (cont):** Statements and Early Warning Indicator levels, the calibration and selection of which are informed by the outcomes of the annual Internal Liquidity Adequacy Assessment Process (ILAAP).

**Funding Risk:** The risk that Group companies cannot maintain access to a sufficient stable funding base to maintain its liquidity.

The funding risk appetite is to ensure that the transaction led model is maintained through access to sufficient stable funding sources even under stress. The primary funding source is through client deposits and no reliance is placed on wholesale funding markets.

The business model is transaction led with asset purchase and lending decisions based on the level, currency and type of funding received and expected to be received from customers, alongside own capital resources. The Group is committed to continuing to provide key services to its target markets. Funds received are placed into term matching assets to generate investment income.

**Interest Rate Risk in the Banking Book (IRRBB):** The risk to earnings or capital arising from movements in interest rates that affect banking book positions. No Group company operates a trading book; therefore all activities are captured under the banking book definition.

The interest rate risk in the Banking Book (IRRBB) risk appetite is intrinsically low due to the business model being reliant on transaction-based income rather than net interest income. The risk appetite for IRRBB, is measured by:

- the impact of earnings sensitivity over 12 months arising from a maximum of 100bps parallel and non-parallel rate shift
- the economic value impact of a 200bps parallel rate shift (plus or minus)

**Foreign Exchange Risk (FX Risk):** The risk to earnings or capital arising from adverse movements in foreign exchange (FX) rates.

The FX risk appetite is to ensure that the exposure to FX rate movements is immaterial compared to the capital resources available.

This objective is achieved as a result of tightly limiting the size of open FX positions that the Markets business can run. The largest aggregate FX open position allowable is restricted as a Board approved limit. More granular limits are set at individual/currency grouping levels. Speculative transactions are strictly prohibited.

FX exposures are reported daily.

**Credit Risk:** Arises from extending credit in all forms where there is a possibility that counterparties may default on their obligations.

Credit policy and Risk Tolerances, covering limits, by value and duration, minimum credit ratings and concentration criteria, are set out in policy papers approved by the respective board. Credit risk is managed by the Credit Committee which approves all counterparty limits and is responsible for concentration risk both in terms of individual counterparties and country exposures. The committee's activities are reported and discussed at the Board Audit and Risk Committee. All exposures are monitored daily against the limits set.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****25. RISK MANAGEMENT (continued)**

**Operational Risk:** The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Business units are responsible for managing operational risk, with oversight and challenge carried out by Risk Management. A series of controls are employed in the management of operational risk, including segregation of duties, reconciliations, exceptions and exposure reporting, authorisation thresholds, and business continuity planning. Controls are developed, monitored and maintained in line with the identified risk exposure and appetite.

Operational resilience has been defined as the ability of firms and the financial system as a whole to absorb and adapt to shocks, rather than contribute to them, and has formed an increasingly integral part of the overall strategy to continue to deliver services, no matter the cause of the disruption.

Similarly, the response to cyber risk has also been raised over recent years and has employed a variety of mitigants in order to protect the Group and its clients from such attacks. The subject is closely monitored by management and Board committees and is actively discussed at Board level.

Risk Management provides an independent assessment of the strength of the operational risk, resilience and cyber frameworks to the Board.

**Financial Crime Risk:** The risk of losses arising from financial crime events including Money Laundering, Terrorist Financing, Fraud, Market Abuse and Corruption due to failed internal processes, people and systems.

The Anti-Financial Crime (AFC) department sets the policies for the prevention of financial crime and undertakes oversight and supervision of the control environment implemented within the first line of defence in order to ensure policies have been appropriately implemented. AFC develops those policies on the basis of applicable UK financial crime prevention regulation and guidance as well as what it considers to be international best practice established from time to time.

**Compliance Risk:** The risk arising from failures to comply with the entity's legal and regulatory obligations

Both CAB and CAIM make every effort to remain in compliance with applicable laws, rules and regulations in the jurisdictions in which it does business. It has developed and implemented a risk-based compliance programme comprised of written policies, procedures, internal controls and systems, and processes to keep required records. With respect to the prevention of financial crime, there is in place a designated Money Laundering Reporting Officer (MLRO) to oversee a programme that includes but is not limited to undertaking appropriate due diligence on its clients and implementing systems and controls for the detection and reporting of suspicious activity.

Management information and reporting regarding the effectiveness of regulatory compliance controls is regularly provided to the oversight committees and primary regulatory supervisors. Employees and related third parties are educated on applicable laws, rules and regulations as well as internal compliance policies, procedures and controls. The internal compliance programme is subject to annual independent testing. The Group co-operates fully with law enforcement and regulatory investigations and enquiries.

---

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****25. RISK MANAGEMENT (continued)**

**Conduct Risk:** The risk arising from the firm's culture, or from intentional employee behaviour, that threatens the delivery of fair outcomes for clients.

Our customers are at the heart of our business. We look to develop and maintain long term relationships with our customers, based on openness, trust and fairness in everything we do. We expect the behaviour and motivation of all employees to be about good conduct and adherence to established controls to deliver fair and appropriate outcomes for our customers

Management of Conduct Risk is key to the strategy and objectives and ensures that the outcomes in respect of treating customers fairly and the principles of business set by the regulator are met.

Key controls ensure that staff are appropriately trained in their roles and responsibilities. Conduct Risks arising from employee culture and behaviours are controlled and monitored through adequate policies for ethics, conduct risk and remuneration. In addition, all employees are subject to the Code of Conduct.

**Strategic and Business Risk:** The risk of not achieving the corporate and strategic objectives.

The strategy is established through the creation of a rolling three-year plan, agreed by the respective boards. In addition, an Annual Operating Plan and budget for each year is created and agreed by the respective boards.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****25. RISK MANAGEMENT (continued)**

The liquidity profile of the Group's assets and liabilities is as follows:

Assets 2020	Consolidated					Total £'000
	More than	0 months	3 months	1 year	2	
	Less than	3 months	1 year	2	years	
		£'000	£'000	years	years	
				£'000	£'000	
Cash and balances at central banks		677,864	-	-	-	677,864
Loans and advances to banks		158,299	68,125	-	-	226,424
Debt securities		41,069	121,301	-	-	162,370
Money market funds		52,740	-	-	-	52,740
Investments		-	-	-	126	126
Derivative financial instruments		2,273	32	-	-	2,305
Other assets*		24,649	-	48	-	24,697
		<u>956,894</u>	<u>189,458</u>	<u>48</u>	<u>126</u>	<u>1,146,526</u>
Fixed assets						
- Intangible						22,524
- Tangible						2,515
						<u>1,171,565</u>

Liabilities 2019	Consolidated					Total £'000
	More than	0 months	3 months	1 year	2	
	Less than	3 months	1 year	2	years	
		£'000	£'000	years	years	
				£'000	£'000	
Customer accounts		970,485	99,196	591	-	1,070,272
Derivative financial instruments		12,488	986	-	-	13,474
Other liabilities**		13,234	-	840	181	14,255
		<u>996,207</u>	<u>100,182</u>	<u>1,431</u>	<u>181</u>	<u>1,098,001</u>
Shareholders' funds						73,564
						<u>1,171,565</u>

\* includes prepayments and accrued income.

\*\* includes items in course of collection, deferred tax, accruals and deferred income.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****25. RISK MANAGEMENT – Liquidity Risk (continued)**

Consolidated						
Assets 2019	More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	Total £'000
Cash and balances at central banks		579,088	-	-	-	579,088
Loans and advances to						
- banks		290,796	90,296	-	-	381,092
- related parties		2,146	-	-	-	2,146
Debt securities		55,557	75,786	23,703	-	155,046
Money market funds		60,601	-	-	-	60,601
Investments		-	-	-	2,106	2,106
Derivative financial instruments		1,942	16	-	-	1,958
Other assets*		14,849	-	-	-	14,849
		<u>1,004,979</u>	<u>166,098</u>	<u>23,703</u>	<u>2,106</u>	<u>1,196,886</u>
Fixed assets						
- Intangible						20,759
- Tangible						2,511
						<u>1,220,156</u>

Consolidated						
Liabilities 2019	More than Less than	0 months 3 months £'000	3 months 1 year £'000	1 year 2 years £'000	2 years 5 years £'000	Total £'000
Customer accounts		1,085,597	38,942	54	-	1,124,593
Bank overdrafts		70	-	-	-	70
Items in course of collection		339	-	-	-	339
Derivative financial instruments		5,977	1	-	-	5,978
Other liabilities**		11,717	-	-	-	11,717
		<u>1,103,700</u>	<u>38,943</u>	<u>54</u>	<u>-</u>	<u>1,142,697</u>
Shareholders' funds						77,459
						<u>1,220,156</u>

\* includes prepayments and accrued income.

\*\* includes items in course of collection, deferred tax, accruals and deferred income.

All the Company's assets and liabilities in 2020 and 2019 had a maturity of less than three months.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****26. CURRENCY RISK**

The Group does not have any structural exposure. The table below shows the Group's transactional currency exposures in its book, ie those non-structural exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in sterling.

At 31 December, these exposures were as follows:

		<b>Consolidated -Net foreign currency monetary (liabilities)/assets in £'000</b>					
<b>2020</b>	<b>Currency</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Yen</b>	<b>XAF</b>	<b>Other</b>	<b>Total</b>
	<b>(Liabilities)/assets</b>	<b>(472,457)</b>	<b>(22,002)</b>	<b>2,385</b>	<b>859</b>	<b>(12,458)</b>	<b>(503,673)</b>
	<b>Net forward purchases/(sales)</b>	<b>474,898</b>	<b>21,920</b>	<b>(2,381)</b>	<b>370</b>	<b>15,525</b>	<b>510,332</b>
		<b>2,441</b>	<b>(82)</b>	<b>4</b>	<b>1,229</b>	<b>3,067</b>	<b>6,659</b>
<b>2019</b>	<b>Currency</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Yen</b>	<b>AU Dollar</b>	<b>Other</b>	<b>Total</b>
	<b>(Liabilities)/ assets</b>	<b>(422,294)</b>	<b>(920)</b>	<b>22,386</b>	<b>(8,204)</b>	<b>(2,991)</b>	<b>(412,023)</b>
	<b>Net forward purchases/(sales)</b>	<b>423,073</b>	<b>286</b>	<b>(22,382)</b>	<b>8,248</b>	<b>5,651</b>	<b>414,876</b>
		<b>779</b>	<b>(634)</b>	<b>4</b>	<b>44</b>	<b>2,660</b>	<b>2,853</b>

An analysis of the total balance sheet, split between £ and other currencies, is as follows:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Assets</b>		
Denominated in sterling	<b>705,652</b>	<b>668,395</b>
Denominated in other currencies	<b>465,913</b>	<b>551,761</b>
	<b>1,171,565</b>	<b>1,220,156</b>
<b>Liabilities and Equity</b>		
Denominated in sterling	<b>201,979</b>	<b>256,373</b>
Denominated in other currencies	<b>969,586</b>	<b>963,783</b>
	<b>1,171,565</b>	<b>1,220,156</b>

All of the Company's assets and liabilities in 2020 and 2019 were denominated in £.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****27. INTEREST RATE SENSITIVITY GAP ANALYSIS**

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 assets and interest payable on liabilities are next reset to market rates. The table below summarises these re-pricing mismatches on the Group's book as at 31 December 2020. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

<b>Interest Rate Re-pricing</b>	<i>Consolidated - £'000</i>					<b>Total</b>
	<b>Not more than three months</b>	<b>More than three months but not more than six months</b>	<b>More than six months but not more than one year</b>	<b>More than one year but not more than five years</b>	<b>Non-interest bearing</b>	
<b>2020</b>						
<b>Assets</b>						
Cash and balances at central banks	677,864	-	-	-	-	677,864
Loans and advances to banks	158,298	49,364	18,762	-	-	226,424
Debt securities	41,069	53,187	68,114	-	-	162,370
Investments	-	-	-	-	126	126
Money market funds	52,740	-	-	-	-	52,740
Other assets*	-	-	-	-	52,041	52,041
<b>Total assets</b>	<b>929,971</b>	<b>102,551</b>	<b>86,876</b>	<b>-</b>	<b>52,167</b>	<b>1,171,565</b>
<b>Liabilities</b>						
Customer accounts	970,485	66,345	32,851	591	-	1,070,272
Other liabilities**	-	-	-	-	27,729	27,729
Shareholders' funds	-	-	-	-	73,564	73,564
<b>Total liabilities</b>	<b>970,485</b>	<b>66,345</b>	<b>32,851</b>	<b>591</b>	<b>101,293</b>	<b>1,171,565</b>
<b>Interest rate sensitivity gap</b>	<b>(40,514)</b>	<b>36,206</b>	<b>54,025</b>	<b>(591)</b>	<b>(49,126)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(40,514)</b>	<b>(4,308)</b>	<b>49,717</b>	<b>49,126</b>	<b>-</b>	<b>-</b>

\* includes fixed assets, derivative financial instruments, prepayments and accrued income.

\*\* includes items in course of collection, derivative financial instruments, accruals and deferred income.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****27. INTEREST RATE SENSITIVITY GAP ANALYSIS (continued)****Interest Rate Re-pricing**

	<i>Consolidated - £'000</i>					<i>Total</i>
	<i>Not more than three months</i>	<i>More than three months but not more than six months</i>	<i>More than six months but not more than one year</i>	<i>More than one year but not more than five years</i>	<i>Non-interest bearing</i>	
<b>2019</b>						
<b>Assets</b>						
Cash and balances at central banks	579,088	-	-	-	-	579,088
Loans and advances to:						
- banks	290,796	61,968	28,328	-	-	381,092
- related parties	2,146	-	-	-	-	2,146
Debt securities	55,557	49,170	26,616	23,703	-	155,046
Investments	-	-	-	-	2,106	2,106
Money market funds	60,601	-	-	-	-	60,601
Other assets*	-	-	-	-	40,077	40,077
<b>Total assets</b>	<b>988,188</b>	<b>111,138</b>	<b>54,944</b>	<b>23,703</b>	<b>42,183</b>	<b>1,220,156</b>
<b>Liabilities</b>						
Customer accounts	1,085,597	8,087	30,855	54	-	1,124,593
Bank overdrafts	70	-	-	-	-	70
Other liabilities**	-	-	-	-	18,034	18,034
Shareholders' funds	-	-	-	-	77,459	77,459
<b>Total liabilities</b>	<b>1,085,667</b>	<b>8,087</b>	<b>30,855</b>	<b>54</b>	<b>95,493</b>	<b>1,220,156</b>
<b>Interest rate sensitivity gap</b>	<b>(97,479)</b>	<b>103,051</b>	<b>24,089</b>	<b>23,649</b>	<b>(53,310)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(97,479)</b>	<b>5,572</b>	<b>29,661</b>	<b>53,310</b>	<b>-</b>	<b>-</b>

\* includes fixed assets, derivative financial instruments, prepayments and accrued income.

\*\* includes items in course of collection, derivative financial instruments, accruals and deferred income.

None of the Company's assets or liabilities in 2020 or 2019 earned interest.

**28. 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, Uglan House, South Church Street, Grand Cayman, Cayman Islands KY1-1104.

No company is required to consolidate these financial statements.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****29. BUSINESS COMBINATION**

On 6 February 2019, the Company incorporated CAB Tech HoldCo Limited, a new wholly owned subsidiary.

On 1 July 2019 the Company's investment in the Bank was transferred to CTH at book value.

On 1 July 2019 CTH acquired the entire the share capital of Segovia Technology Company, a US based fintech company. The consideration for the purchase was the issue of new shares/ share options in CTH to the previous holders of the shares/ share options in STC as follows:

- Issue of 4,207,295 A2 £1 Ordinary Shares
- Issue of 245,634 A2 £1 Ordinary Share Options

[Note: in addition, CTH gave rights to 2,401,430 Restricted Share/ Restricted Share Units in £1 Ordinary B Shares to current/ future employees/ consultants of STC which vest over time depending on the continued employment/ provision of services of the employees/ consultants involved.]

The Company has utilised the acquisition method of accounting.

The goodwill of £6,410,862 is attributable to both the cost of rehiring the specialist workforce and the value placed upon the significant potential to accelerate the build out of the Bank's payment engine which will be delivered by the product and engineering teams at Segovia, supported by the Bank's infrastructure and expertise.

Management have concluded that the useful life of the goodwill is 10 years.

The following tables summarise the consideration paid by the CTH, the fair value of the assets acquired and the liabilities assumed at the acquisition date. There were no non-controlling interests.

Consideration	Total £'000
Fair value of shares issued	6,850
Nominal value of unvested B Shares in CTH*	859
	<hr/>
	7,709
Directly attributable costs	1,315
	<hr/>
Total cost	9,024

\*Nominal value of CTH B shares issued and to be issued as part of the acquisition and subject to share based payment vesting conditions. Upon vesting the shares will form part of the non-controlling interest in CTH.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****29. BUSINESS COMBINATIONS (continued)**

Recognised amounts of identifiable assets acquired and liabilities assumed	Total £'000
Tangible fixed assets	20
Intangible assets	2,400
Other assets	1,998
Liabilities	<u>(1,805)</u>
Net assets acquired	2,613
Goodwill	<u>6,411</u>
Total cost	<u>9,024</u>

The net book value of all the assets acquired and liabilities assumed reflected the underlying fair value.

**30. NON CONTROLLING INTERESTS**

	<u>Consolidated</u>	
	2020 £'000	2019 £'000
At 1 January	4,489	-
Acquisition of Segovia Group/ New Share Capital in CTH	-	4,431
Adjustment due to changes in non-controlling interest %	337	-
Total comprehensive income attributable to non-controlling interests	(188)	52
Other retained earnings	<u>32</u>	<u>6</u>
At 31 December	<u>4,670</u>	<u>4,489</u>

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****31. RELATED UNDERTAKINGS**

<u>Direct/Indirect Subsidiaries</u>	<u>Business</u>	<u>Country of Incorporation</u>
CAB Tech HoldCo Limited	Holding company	UK
Crown Agents Bank Limited	Bank	UK
CAB Tech HoldCo USA LLC	Holding company	US
Segovia Technology Co	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 KHM Co Ltd*	Fintech	Cambodia
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
Crown Agents Investment Management Limited	Investment Management	UK
JCF Nominees Limited	Nominee	UK

\* dormant

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 – 93.62% reducing over time to a minimum of 90.01% depending on the exercise of share options and the vesting of shares.
2. Segovia Technology Mozambique Corp SA – 1% owned by senior management.
3. Segovia Technology Pakistan (PVT) Ltd – 66% owned by senior management.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****32. CREDIT EXPOSURE**

At 31 December the replacement costs by residual maturity and net replacement costs by counterparty of the Group's trading and non-trading over-the-counter derivative financial instruments were:

Potential Credit Risk Exposure	Consolidated - 2020		Consolidated - 2019	
	Up to 1 year £000	Total £000	Up to 1 year £000	Total £000
Forward Foreign Exchange Contracts	764,508	764,508	702,894	702,894
Notional principal amounts	<u>764,508</u>	<u>764,508</u>	<u>702,894</u>	<u>702,894</u>
Replacement cost by counterparty				
Other banks	2,305	2,305	1,958	1,958
Total replacement cost	<u>2,305</u>	<u>2,305</u>	<u>1,958</u>	<u>1,958</u>

Other credit exposures (all falling due within one year) were as follows

	2020 £'000	2019 £'000
Central banks	677,864	579,088
Loans and advances to banks	214,082	379,261
Loans and advances to related parties	-	2,146
Debt securities	162,370	155,046
Money market funds	52,740	60,601
	<u>1,107,056</u>	<u>1,176,142</u>

The Company had no credit exposures in 2019 or 2020.

**33. RELATED PARTY TRANSACTIONS**

In addition to related party transactions noted elsewhere (Note 9):

A. As at 31 December 2020 the Group had two (2019 – one) intercompany balances group companies outside the Group as follows:

- a. £12,500 (2019 - £12,500), to Helios Investors Genpar III LP. The balance relates to the outstanding balance of a director's fees incurred during the year totalling £25,000 (2019 - £25,000), payable by a Group company, Crown Agents Bank Limited.

Helios Investors Genpar III LP had control or significant influence over the Company.

- b. £500,000 (2019 - £nil) to Merlin MidCo limited.

Merlin MidCo Limited had control or significant influence over the Company.

**Notes to the Financial Statements for the period ended 31 December 2020 (continued)****33. RELATED PARTY TRANSACTIONS (continued)**

- B. During the year a group company reimbursed part of the salary £26,919 (2019 - £20,633) of an employee of Givedirectly Inc, an entity of which Michael Faye, a director of the Bank, CAB Tech Holdco Limited and Segovia Technology Company, is a director. The group company also reimbursed expenses totalling £136,673 (2019 - £104,039) incurred by the employee concerned. Both recharges related to Michael Faye's role as a director of Segovia Technology Company.
- C. As at the year end, 771,605 (2019 – 771,605) £1 Ordinary Shares of the Company were owned by a company controlled by a director of the Company.
- D. Interest in the shares of a subsidiary of the Company, CAB Tech HoldCo Limited (all of which were granted in 2019) 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)
Director 1	662,325	-	157,808	-
- Related parties	-	202,861	-	-
Director 2	-	36,867	112,677	374,470
Director 3	43,989	22,929	4,871	482,276

- E. The Group conducted a number of forward FX deals with related parties as follows:

Counterparty	2020			2019		
	No.	Nominal £'000	Profit £'000	No.	Nominal £'000	Profit £'000
Helios Investors Genpar III LP	37	10,941	2	20	11,650	2
Helios Investors III LP	-	-	-	2	368	-
Helios Investment Partners LLP	4	5,387	1	1	400	-
	<b>41</b>	<b>16,328</b>	<b>3</b>	<b>23</b>	<b>12,418</b>	<b>2</b>

The companies noted above had control or significant influence over the Company.

## Head Office Contact Details

CABIM Limited  
Quadrant House,  
The Quadrant,  
Sutton  
SM2 5AS  
United Kingdom

[www.crownagentsbank.com](http://www.crownagentsbank.com)  
[enquiries@crownagentsbank.com](mailto:enquiries@crownagentsbank.com)

T: +44 (0)20 3903 3000

CABIM Limited  
Registered in England and Wales  
No 09659405

---