

World First UK Limited

Year ended 31 December 2019

Strategic report

Delivering progress

The core vision of World First continues to be to build the world's best platform for international trade by providing fast, efficient foreign exchange, cash collection and international payment services. To achieve this vision we aim to deliver a fairer exchange rate to our corporate and personal customers, helping to make international trade faster, cheaper and easier. We do this with our informed, friendly and helpful customer service staff, highly developed technology and an industry-leading regulatory and compliance platform.

To truly transform international trade we continue to expand our presence globally, growing our business to serve more customers better. On 13th February 2019, we were acquired by Ant Financial. This represented a significant milestone in the journey of World First since it was first established in 2004 and has provided the firm with a very strong platform for our continued international expansion.

Investing to grow

Ant Financial operates across the international trade ecosystem and is a global leader in international payments in the eCommerce and personal payments segments and beyond. The enormous scale of international trade and its expansion over recent years presents World First with very significant opportunities for business growth. The worldwide strengths of World First and Ant Financial are highly complementary and provide a compelling growth platform for enhanced service to our customers throughout the world. We believe that the combined geographical footprints, resources and complementary product suites will transform international trade and, in doing so, create significant value for our customers and opportunities for our employees across all our regions.

The Board in 2019 pursued six main themes for the Group. These were:

- Investment in our people
- Growth in our customer base, accompanying business volumes and our brand
- A move to fully transparent, fixed pricing for customers
- Enhancing our product offering to further improve customer service
- Enhancing the World First platform to support low cost and effective processing, and
- Integration with Ant Financial to leverage revenue and cost synergies

We continued to invest in the skills of our people, building capabilities and adding new staff as our business developed.

We are very proud of our brand globally and it will continue to be a core foundation for the Group. We have continued to expand our World First brand in China to support our international growth strategy and to provide greater reach to a very important customer base.

We have invested heavily in developing our core technology, offering new features, providing greater flexibility and improving efficiency for our customers. World Account, first launched in 2017, is our cornerstone product, providing a highly flexible, multi-currency platform for international trade. We have expanded the use of World Account and added to its capabilities, including an expanded online user experience. We continue to enhance our API products to support businesses with streamlined end-to-end payment solutions. In 2019, we began key integrations with our parent company, offering customers of Alipay, AliExpress and 1688 significantly improved access to international payment corridors.

Business performance

We remain committed to developing our core foreign exchange spot and forward services for our customers, together with related international payment and cash management services.

The underlying performance of the business is summarised below. As reported in last year's financial statements, we closed our US operations in February 2019. The US business has been removed from the performance summary and the comprehensive statement of income on page 13 shows separately the performance of our continuing and discontinued operations for the year ended 31 December 2019 and the comparative prior year period. The summary below covers the ongoing business only, which comprises spot and forward foreign exchange payments for personal clients and corporates across our international locations.

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Strategic Report (Continued)

Following our acquisition by Ant, in the second half of 2019 we invested significantly in product development, focusing initially on the China market, but extending this subsequently to Europe and other Asia-Pacific regions. We also significantly reduced our customer pricing at the beginning of August as part of delivering even more value to customers. Following flat turnover growth in 2018, full year turnover increased by 8% in 2019, with particular growth in the Corporate business line. This reflects the average across the year but we have seen strong increases in turnover following the pricing change. We continued to increase the number of customers transacting through online channels with 92% of transactions executed online.

The investment in price reductions resulted in a 33% fall in 2019 revenues compared with 2018. An investment in IT development, together with a move to write-off IT development expenditure rather than capitalise it, drove operating costs up 38% compared with prior year. Overall, we posted an operating loss of £44m as we invest for medium-term growth. This growth is and will continue to be funded by a programme of capital injections from our parent. During 2019, our parent injected £45m of capital to fund investment in technology and an improved customer experience.

	Year ended 31 December 2019	Year ended 31 December 2018 As restated	% change
	£'000	£'000	
Continuing operations			
Income	48,529	72,907	-33%
Operating expenses	(93,006)	(67,565)	+38%
Operating (loss)/profit before tax and finance costs	(44,477)	5,342	

People First

World First's success is dependent on the skills, commitment and enthusiasm of all our employees. During 2019, we continued our focus on the hiring of individuals who had the skills and experience which would enable our commercial and technical transformation and, in particular, have built out our Product and Technology organisation and aligned this with our parent Company - Ant Financial.

We continued to enhance learning and development opportunities across both our commercial and technical tracks, and 2019 saw the ongoing development of digital learning platforms, providing employees access to learning at a pace and time that suits them.

Our new relationship with Ant Financial has helped us to deepen our skills and capabilities and help engage our People in learning new approaches to growing the business.

The evolution of our family-first initiatives remains an important talent and retention strategy for World First. Under our policy of putting "People First in all we do", we offer generous maternity and paternity policies that go beyond our local statutory obligations and continue to retain employees post maternity leave with a near 100% record of returners globally. Annual staff turnover to January 2020 was 40%, a reduction of 5% on the previous 12 months to January 2019.

Our commitment to communities is unchanged and in 2019 we supported, a wide range of charitable organisations through our Community@WF committees. 2019 also saw us continue our partnership with The Princes Trust, which extends our charitable reach even further.

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Strategic Report (Continued)

As part of the integration with Ant Financial we have rolled out the Ant Group values which focus on: putting the customer first; building trusting relationships with employees, suppliers and customers; and growing our people skills and personal accountability. These values ensure that, as a business, we are constantly evolving with the external commercial environment.

Environment matters

World First takes its environmental responsibilities very seriously. Our vision is to empower our people to take positive action on the environment and to replicate green habits at home and in the office. Our mission is to lower our carbon footprint as a company and as individuals. To do this we have a three-pronged approach: (i) inform colleagues of our shared responsibility (ii) make green behaviour easy and repeatable (iii) celebrate the changes that we have accomplished and reward WorldFirsters for making a difference. It is our policy to encourage electronic communication rather than face-to-face meetings that involve air travel where possible.

Suppliers

World First is fully committed to dealing with suppliers in a fair and ethical fashion. In particular, we adhere to the BEIS code covering payment practices and performance reporting.

Principal risks and uncertainties

Our business has grown rapidly since its inception in 2004 and now operates in seven countries around the world servicing more than 72,000 customers. The Board constantly monitors external and internal risks to the business including threats from competitors, changes in market conditions or regulatory requirements. The Executive team is responsible for the day-to-day operations of all our business in respect of the laws, standards and risk constraints determined by the Board. The key risks and our responses to these are described in the Directors' Report. The key financial risks are set out in Note 16.

Brexit

There continues to be uncertainty surrounding the outcome of Brexit, a decision by the United Kingdom to exit the European Union (EU), which will have an impact on the way the Group transacts with European customers, especially in the event of a "no-deal Brexit". Following the UK's departure from the EU on 31 January, we are now operating within the "transition period" during which we will continue to trade in the EU as normal.

Brexit is not considered a principal risk for World First. In 2019 the Group and Company earned £3.4m of revenue from customers in Europe. The firm has defined contingency plans to help reduce the risks associated with a "no-deal Brexit" which could lead to passporting concerns when trading with EU customers. A new legal entity and subsidiary in the Netherlands has been set up and a payments licence has been approved by the Dutch Central Bank. The establishment of the new Netherlands subsidiary will provide a foundation for accelerated expansion into Europe during and after the transition period. Customers will be migrated to the Netherlands entity prior to the end of the transition period: the credit risk of customer defaults resulting from the changes is considered minimal; we foresee no significant loss of customers; there are no significant changes foreseen in terms of banking relationships. Management continues to closely monitor developments in the inter-governmental Brexit discussions.

COVID-19

We continue to monitor developments in the spread of COVID-19, but do not currently anticipate material disruption to our business plans. Whilst there is a possibility that COVID 19 may have a negative impact on market trading volumes in our key business lines, we anticipate that our planned investments in product and customer experience will drive increased market share that will be more than sufficient to offset any negative market conditions. We have carried out stress tests to assess the impact on revenues of potential volume reductions. In a stressed scenario, our parent company is committed to supporting our ongoing capital position. We have carried out an assessment of the potential impact of COVID 19 on our key partners and suppliers; no additional significant risks were identified as part of this analysis. Our actual trading experience to date has shown minimal negative impact on business volumes and recent currency volatility has driven increased foreign exchange volumes in our key markets. Our credit risk processes have been tightened to support more frequent monitoring of credit exposure and margin call processes.

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Strategic Report (Continued)

Since late January we have consulted with all employees daily on their personal health with regard to COVID 19. We were ahead of the market in implementing a full and controlled "working from home" regime.

The impact of COVID-19 is also addressed in the going concern statement in the Directors' Report.

Directors disclosures under s172(1)

As noted above, significant investment is planned in further developing our products and customer experience, underpinned by IT development activities and geographic expansion. This will drive significant business growth and will provide significant opportunities for all employees. In line with Ant Group values:

- we take very seriously our responsibilities to employees for engendering a working environment that is fair and inclusive and takes account of the specific needs of individual members of staff
- we treat our suppliers fairly and aim to be transparent in our dealings with all suppliers
- we take very seriously our role in society through our engagement in charitable activities and in ensuring that our environmental impact is minimised
- we aim at all times to adopt the highest ethical standards in relation to our dealings with customers, partners, suppliers and other external parties with whom we work
- we have a policy of customer first, employee second and investor third

Future opportunities

As a key part of the Ant Financial Group, the growth opportunities for the joint businesses are very exciting. There are enormous opportunities to expand our service offerings, grow our customer base and enter new geographies and markets, as international trade continues to grow. The Group and the Company continue to adopt the going concern basis in preparing the financial statements.

We have plans to continue to integrate our products and offerings into the Ant Financial ecosystem to accelerate the execution of our vision. World First and the World Account are key to the overall strategy of the new Group to expand globally. The acquisition of World First by Ant Financial presents significant opportunities for integration synergies including leveraging:

- Ant's extensive technology capabilities, to develop a more scalable global payments platform
- Ant's customer base, to expand World First's customer footprint,
- Ant's capital base, to fund medium-term growth plans

World First achieved a great deal in 2019, ending the year in a strong growth position and we have re-focused our activities on the very bright and exciting opportunities that lie ahead.



Jonathan Roger Aitken Quin
Director 28th April 2020