

World First UK Limited

Year ended 31 December 2021

Strategic report

Mission

The mission of World First is to create a one stop shop for digital payments and financial services making it easy to do business anywhere. We will do this by providing, efficient foreign exchange, collection and international payment services as well as additional value added financial services helping to make international trade faster, safer, cheaper and easier.

Core to the strategy is investment in our technology and platform to create the number one cross border digital payments wallet for SMEs in our chosen markets providing the best functionality, experience and service.

Growing our business

World First is part of Ant Group Co. Ltd. ("Ant Group") who operate across the international trade ecosystem and are positioned as a global leader in eCommerce and business payments. The products and services of World First and Ant are highly complementary, and we believe through combined geographical footprints, resources and products we will transform the future of international trade. We have continued through 2021 to realise operational synergies and leverage combined resources to increase the value proposition to our customers and provide increasing opportunities for our employees.

In recent years international trade has expanded rapidly driven by the macro trend of increasing globalisation; and whilst the outbreak of COVID-19 in early 2020 has slowed growth in some traditional areas of cross border trade it has also accelerated the trend towards eCommerce and digitalisation. Our continued focus as an enabler of the global eCommerce market has meant that we have maintained and grown our customer and volume base in the year, positioning us strongly moving into 2022. Additionally, we have continued to expand and deepen our relationships with market places increasing the existing and potential customer base and the product and service offering to them.

The World First Group vision has evolved from providing a primarily transaction based service to a more holistic relationship based payments platform. Through a common goal to 'make it easy to do business anywhere' the focus now is on building a best in class, experience for SMEs and their international payment needs. As part of this evolution, the Private Client Business was closed in 2021 and the Group entered into a partnership referral agreement for Private clients. Closure of the business did not have a material impact on the Group's performance, and was offset by the increased focus of resources to drive volumes and revenues through our payment and collections offerings to SMEs involved in offline and eCommerce trade.

The Board in 2021 pursued five main themes for the Group. These were:

- Improving our payment capabilities in key corridors and specifically payments into China
- Significant growth in our customer base and accompanying business volumes
- Investment in the World First platform to drive easy to use, quick, low cost and effective processing
- Investment in our people
- Integration with Ant Group to leverage customer, product and cost synergies

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

We have invested heavily in developing our core technology, offering new features, providing greater flexibility and improving efficiency for our customers. The business benefit of these investments is not expected to be realised until the second half of 2022 as we roll out the new platform. 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. This will continue to be the foundation of our future strategy as we add additional payments and other related value added services to it.

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Strategic Report (Continued)

Business performance

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

We continued to invest in product development, people, systems and processes in throughout 2021 with a strong focus on the China market to improve the quality and scalability of our platforms and increase our customer value proposition. Investment will shift to Europe and Asia Pacific in 2022. We continued to maintain our highly competitive customer pricing following significant reductions to client rates in August 2019. Our combined product and pricing proposition resulted in Turnover (volume of FX notional and our key performance indicator) growth of + 41% (+ 88% in 2020) led by growth in the eCommerce business line and supported by growth in our Corporate business line. Momentum in Turnover growth has continued through the course of the year and has been matched by corresponding growth rates in transaction numbers demonstrating the scalability of our platform. We expect the investment in technology and product will support continued strong growth across the business over the medium term.

Following our investment in price reductions in August 2019 and associated drop in revenues in 2020, margins stabilised in 2021. Our continued volume growth through 2021 (+ 41%), translated directly through to Revenue growth of + 42% in 2021 (- 30% in 2020).

Overall, we moved closer to breakeven in the period with an operating loss of £7.4m (compared to a loss of £41.5m in the prior financial period). Operating profitability improved by + £34.1m driven by; + £19.6m increase in Revenues (volume driven); + £18.5m reflecting the full year impact (compared to five months in 2020) of our reduced cost base following the outsourcing of Group service costs in August 2020 to World First Services Limited; offset in part by increases in volume driven banking costs. Tight cost control was maintained for our operating costs overall as we continued to leverage the core platform cost base to support in-year volume growth.

Our immediate parent, Alipay (Hong Kong) Holding Limited, injected £6m of capital in the period, with our performance aligned closely to our long-term growth strategy. Our Parent is committed to the provision of ongoing support.

	Year ended 31 December 2021	Year ended 31 December 2020	% Change
Continuing operations	£'000	£'000	
Income	53,842	34,225	+57%
Operating expenses	(61,245)	(75,691)	-19%
Operating loss before tax and finance costs	(7,403)	(41,466)	-82%

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Strategic Report (Continued)

Directors disclosures under s172(1)

As noted above, significant investment has already been made and is planned to continue in further developing our products and customer experience, underpinned by IT development activities and geographic expansion. This will continue to drive significant business growth and, whilst there has been a shift in the location mix of employees from UK to China during 2021, it 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 as one of our core six values listed below

Likely consequences of any decision in the long term

We carefully consider the potential long-term consequences of any key decision on all of our stakeholders.

The strategic business plan of World First Group is fully aligned to the strategic plans of Ant Group and our performance is monitored on a daily basis against this plan.

As discussed further below, we have a strong focus on shared values which are integral to us growing the business and creating the world's platform for international trade, making it easy to do business anywhere.

The interests of the Group's employees

World First's success is dependent on the skills and engagement of all our employees. During 2021, we continued our focus on the hiring of individuals who had the skills and experience to enable our commercial and technical transformation and have continued to build our Product and Technology organisation in alignment with our parent Company - Ant Group. Our relationship with Ant Group has helped us to deepen our skills and capabilities and help engage our People in learning new approaches to growing the business.

We continued to enhance learning and development opportunities across both our commercial and technical tracks and the acceleration of digital learning platforms, providing employees with continued access to learning, during 2021.

Our commitment to communities is unchanged and whilst COVID-19 restricted our involvement during 2021, we continue to support a wide range of charitable organisations through our Community Connect initiatives.

In Ant Group we believe in a strong sense of shared values enables us to maintain a common company culture and community, no matter how large we grow. Our values are fundamental to the way we operate and how we recruit, evaluate and compensate our people.

Our six values are:

- Customers First, Employees Second, Shareholders Third - This reflects our choice of what's important in the order of priority. Only by creating sustained customer value can employees grow and shareholders achieve long-term benefit.
- Trust Makes Everything Simple - Trust is both the most precious and fragile thing in the world. The story of the Ant Group is a story of building trust. Complexity begets complexity, and simplicity breeds simplicity. With trust, there is no second-guessing or suspicion, and the result is simplicity and efficiency.

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- Change Is The Only Constant - Whether you change or not, the world is changing, our customers are changing and the competitive landscape is changing. We must face change with respect and humility. Otherwise, we will fail to see it, fail to respect it, fail to understand it and fail to catch up with it. Whether you change yourself or create change, both are the best kinds of change. Embracing change is the most unique part of our DNA.
- Today's Best performance Is Tomorrow's Baseline – In the most challenging times, this spirit has helped us overcome difficulties and survive. In bad times, we know how to motivate ourselves; in good times, we dare to set “dream targets” (stretch goals). Face the future, or we regress. We must shoot for the moon, challenge ourselves, motivate ourselves and exceed ourselves.
- If Not Now, When? If Not Me, Who? - It is not a question, but a call of duty. This symbolizes the sense of ownership that each Ant Group employee must possess.
- Live Seriously, Work Happily - Work is now, life is forever. What you do in your job is up to you, but you have responsibility to the ones who love you. Enjoy work as you enjoy life; treat life seriously as you do work. If you live with purpose, you will find reward. You make Ant Group different and make your loved ones proud. Everyone has their own view of work and life; we respect each person's choice. Whether you live by this value depends on how you live your life.

We embrace diversity and inclusion including both the similarities and differences in our workforce, we believe that every single person has a part to play in creating a welcoming, inclusive environment. We are fully committed to avoiding discrimination on any grounds. Diversity and inclusion is addressed in the Directors' Report on page 12.

We provide a variety of engagement channels for our employees as outlined in the Directors' Report on page 12.

We put the safety and wellbeing of all our employees and customers at the centre of what we do. Following the COVID19 outbreak we quickly and successfully transitioned our employees to remote working in line with best practice local guidance and requirements without business disruption. We have consulted with all employees regularly with regard to COVID19. Our employees working from home environment has been closely monitored throughout to ensure all employees have the resources they need to perform their roles. After consultation with employees, a Hybrid Working Framework is now in place across a number of locations to ensure the working environment for employees is in line with best practice in the current environment.

Business relationships with suppliers, customers and others

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.

As discussed above one of our core values is customer first, employee second and shareholder third. We strive to put the customer first in everything we do and fostering strong customer relationships, providing efficiencies for our customers and developing new service offerings are paramount to this.

We understand the importance of regulators in our industry, particularly in the current climate. We have engaged with, supported and provided timely information to the Financial Conduct Authority (FCA) during the year.

Community and environment

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. We encourage electronic communication rather than face-to-face meetings that involve air travel where possible.

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Strategic Report (Continued)

Reputation and business conduct

The reputation of the Group with our staff, our customers, our business partners, banks and regulators plus the wider public and media is recognised as paramount to the success of World First and as such is constantly monitored and actively maintained. This includes a structured induction programme for all staff explaining clearly what we do, how we operate and the emphasis that must be placed on controls and compliance. Compulsory Anti-Money Laundering (AML) and Know Your Customer (KYC) training is regularly refreshed. Risk awareness and culture training is also available globally to staff. A whistle-blower process is in place.

Customer feedback and complaints are captured by Compliance and reviewed constantly with reporting each month to management. The management of the Group is frequently in dialogue with regulators, industry working parties and media to ensure our brand and reputation is not at risk. Our principal bankers conduct regular reviews of our business and operating procedures, including client on-boarding procedures and suspicious transaction monitoring.

Principal decisions illustrating s172

Integration into Ant Group processes

During the year we have continued to invest in our technology platform and product and benefited from synergies with Ant Group.

The Group has demonstrated the increasing scalability of the current operating cost base to support volume growth, This has been achieved through leveraging of the existing platform combined with the realisation of synergies with Ant Group.

The Group will continue to leverage the revenue and cost synergies that exist with Ant Group and Alibaba Group Holdings for the benefit of our customers, suppliers and other stakeholders.

Regulatory best practice

As outlined above, we understand the importance of regulators in our industry, particularly in the current climate. The Company has quickly adapted to a changing regulatory landscape, aligning to changes to FCA best practice for capital adequacy requirements.

Principal risks and uncertainties

Our business has grown rapidly since its inception in 2004 and with an office operating in seven countries around the world servicing more than 118,000 customers. The Board constantly monitors external and internal risks to the business including threats from competitors, changes in market conditions or regulatory requirements. The Leadership 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.

COVID-19

The COVID-19 pandemic, which began in December 2019 reaching the UK in early 2020, has created macro-economic uncertainty, impacting financial markets and causing FX volatility. The 2021 financial year is the second annual reporting period impacted by the pandemic.

The Group's positioning as a provider of services to the eCommerce and Corporate segments means that any adverse changing impacts of customer behaviour through COVID-19 have been minimal and this is expected to continue. The Group provides services to eCommerce sellers and this segment has seen significant growth in 2020 and 2021 with the increasing trend towards digitalisation.

The Group established mitigation plans for the business at the start of the pandemic, the emergency pandemic plan was implemented and working practices changed to ensure operational continuity.

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Both local and global macro environments in 2021 continued to be shaped in part by the impact of COVID-19. The company continued to operate through the course of the year without material financial or operational impact to the ongoing business model. Management assess that it has sufficient resources available to it to mitigate against the impact of adverse changes for the foreseeable future.

Credit risk processes were tightened from the outset to support more frequent monitoring of credit exposure and margin call processes. World First ERM team conducts daily stress tests in order to monitor credit exposure of clients with extra attention on specific sectors which could be affected heavily by the pandemic. The Credit risk team also run periodic credit reviews and health checks on these and wider industry clients. Specific alterations to policies have not been made in response to the pandemic, with exception to the business continuity and disaster recovery policies which now include working from home as an alternative backup solution to the Group offices due to the increase in our cyber security and VPN implementation programmes.

No reputational damage is at stake due to the pandemic as the Group has been able to conduct business effectively and service all clients to its full potential whilst working from home and provide the same excellent quality customer service and offer all existing products as well as even developing new ones.

Remote working has been enhanced through Multi-Factor Authentication (MFA) on all remote access, including laptops, local and cloud drives and key software. Remote access systems are kept fully patched and are securely configured by the information security team who monitor activity and horizon scan for system updates with the latest security protocols.

We anticipate that our investments in product and customer experience will continue to drive increased market share that will be more than sufficient to offset any negative market conditions that may arise.

Restrictions imposed by governments that caused disruption to businesses and economic activity have not adversely impacted our revenue and operations given we are largely an online business.

The significant estimates and judgements that have been made in preparing these financial statements may be impacted if the macro-economic uncertainty continues. However, it is currently not possible to estimate the impact of this.

We continue to monitor the COVID-19 pandemic situation and will take further action as necessary in response to the economic disruption.

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

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Future opportunities

As a key part of the Ant 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 Group 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.

World First achieved a huge amount in 2021, continuing on a strong growth trajectory and further aligning the focus of the business to key future opportunities and believe that very bright and exciting opportunities lie ahead as we drive to achieving our mid-long term objectives. We expect this growth trajectory to continue or even accelerate as we complete the replatforming of our technology platform and infrastructure which will allow us to divert significantly more resources to developing value added customer capabilities.



Jeffrey Thomas Alan Parker
Director 12th May 2022