

**Company Number: 00170463**

**ICAP EUROPE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2017**

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# **ICAP EUROPE LIMITED**

## **Strategic Report for the year ended 31 March 2017**

The directors present their Annual Report and the audited financial statements of ICAP Europe Limited (the 'Company') for the year ended 31 March 2017.

### **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The directors consider that the year end financial position was satisfactory and do not anticipate any changes to the principal activities.

The Company is actively engaged in an interdealer broking business which comprises an entire range of interest rate derivatives. It also operates in foreign exchange, money markets and emerging markets.

The principal rates business has been going through a fundamental change in recent years. The Company is operating in an environment of ultra-low interest rates, and risk appetite remains subdued amongst our clients as they continue to deleverage their balance sheets. However, major market events during the year have spurred volatility and volumes in core product offerings. This, and a devalued Sterling, has driven a year on year increase in revenue, which is predominantly earned in Euro.

The foreign exchange and money markets business comprises spot, forward foreign exchange, and cash products. Market conditions were positive owing to major market events promoting client business and increased exchange rate volatility.

Emerging market revenue includes domestic activity in local markets and cross border activity in globally traded emerging market money and interest rate products.

On 30 December 2016 Tullett Prebon plc acquired ICAP plc's Global Broking Business to create the largest interdealer broker in the world. The deal combines the complementary strengths of two leading global hybrid voice broking franchises with a leading market position, and revenue diversity by region and product mix. The resulting transaction has changed the ultimate parent company of the entity from ICAP plc to TP ICAP plc. The Directors do not expect the transaction to have a material impact on the financial position and performance of the Company.

The announcement of the result of the Brexit referendum that took place on 23 June 2016 caused a period of heightened activity and instils market uncertainty between the triggering of Article 50 and the final state of the UK negotiation with the EU. There are material implications for financial markets between the so called 'soft' or 'hard' Brexit outcomes. In the future, the Company will likely manage more client relationships from within the Eurozone, where the ultimate parent company TP ICAP plc already have a network of offices in Paris, Frankfurt, Madrid and in other locations. TP ICAP plc have a strategic planning workstream which examines the various Brexit scenarios and how they might want to adapt the business accordingly.

### **RESULTS**

The results of the Company are set out in the profit and loss account on page 6.

The profit for the financial year of £40,279,000 (2016: profit of £27,663,000) has been transferred to reserves.

The net assets of the Company are £70,741,000 (2016: £64,062,000).

### **NON-RECURRING ITEMS**

A total of £769,000 non-recurring costs were recognised during the year. £544,000 share-based compensation costs were recognised as a result of the completion of the sale and purchase agreement between ICAP plc and Tullett Prebon plc for the disposal of its Global Broking Business on 30 December 2016. This change of control event triggered changes to the unvested period of any awards made to employees of the Global Broking Business who had previously held Save-As-You-Earn share options with ICAP plc. All unvested awards immediately vested (accelerated vesting) and created the non-recurring charge, which is shown on the face of the P&L as "Early accelerated share based payment". The remaining £225,000 of non-recurring costs relate to discretionary bonuses paid to employees who had worked on the separation project of the Global Broking Business. These are shown as "Separation bonus") on the face of the P&L.

In the prior year, no non-recurring costs were incurred by the Company.

# **ICAP EUROPE LIMITED**

## **Strategic Report for the year ended 31 March 2017**

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The key risks which the Company faces in its day to day operations can broadly be categorised as credit, operational, liquidity, capital and strategic and business risk.

Credit risk is the risk of financial loss to the Company in the event of non-performance by a client or counterparty with respect to its contractual obligations to the Company. As the Company's business is contracted on an agency or intermediary basis, the main credit risk is more akin to a market risk, as the exposure in such cases is to movements in securities prices and foreign currency. A significant portion of transactions brokered by the Company are on a 'Name passing' basis, where the Company acts as agent in arranging the trade. Whilst the Company does not suffer any exposure in relation to the underlying instrument brokered (given that the Company is not a principal to the trade), it is exposed to the risk that the client fails to pay the brokerage it is charged.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people activities, systems or external events. Operational risk covers a wide and diverse range of risk types and the overall objective of the Company's approach to operational risk management is not to attempt to avoid all potential risks but to proactively identify and assess risk and risk situations in order to manage them in an efficient and informed manner.

Liquidity risk is the risk that the Company, in periods of corporate or market volatility, will not have access to an appropriate level of cash or funding to enable it to finance its ongoing operations and any other reasonable unanticipated events on cost effective terms. Cash and equivalent balances are held with the primary objective of capital security and availability, with a secondary objective of generating returns. Funding requirements and cash and equivalent exposures are monitored by the Group Finance and Operations departments.

Capital management risk is the risk arising from failure to maintain adequate levels of capital. The Company is exposed to the risk of new regulations imposing a fundamental change to the structure or activity of financial markets which could result in the obligation to hold punitive levels of regulatory capital. The Company monitors closely regulatory developments in its markets and is actively involved in consultation and rule setting processes so as to ensure an informed debate of all regulatory issues potentially affecting the IDB markets, both on an individual firm basis and through trade associations. The Company board also undertakes an informed assessment of whether the Company holds sufficient capital in the context of the Company's overarching business objectives, the nature of its business model and risk profile, and its risk management framework. The Company has maintained appropriate financial resources throughout the year.

Strategic and business risk is the risk that the Company's ability to do business might be damaged as a result of its failure to adapt to change market dynamics, customer requirements or the way OTC markets and their participants are regulated.

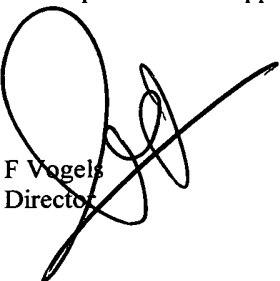
Management in front office and support functions have the day-to-day responsibility for ensuring that the Company operates in accordance with the Enterprise Risk Management Framework which includes policies and procedures for these key risks. Further details of the Enterprise Risk Management Framework are outlined in the TP ICAP plc group (the "Group") Annual Report, which does not form part of this report.

### **KEY PERFORMANCE INDICATORS**

The Company's return on assets, calculated as net profit divided by net assets, is 57% (2016: 43%).

The directors of TP ICAP plc manage the Group's operations on a regional basis. For this reason, the Company's directors believe that further analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The key performance indicators of TP ICAP plc, which includes the Company, are discussed on page 10 and 11 of the Group's Annual Report, which does not form part of this report.

This report has been approved by the board of directors and signed by order of the board:



F Vogels  
Director

30 June 2017

# **ICAP EUROPE LIMITED**

## **Directors' Report for the year ended 31 March 2017**

Company Number: 00170463

### **PRINCIPAL ACTIVITIES**

The Company's principal activity is interdealer broking and it is regulated by the Financial Conduct Authority ('FCA'). It is anticipated that the Company will continue its present business activities next year.

The Company is incorporated in the United Kingdom and domiciled in England and Wales. The registered office is Tower 42, Level 37, 25 Old Broad Street, London EC2N 1HQ.

### **GOING CONCERN**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1, accounting policies, in the financial statements on page 10.

### **DIVIDENDS**

Dividends of £33,600,000 (2016: £24,500,000) were paid during the year.

### **DIRECTORS**

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

F Vogels  
A Berry  
J Scard-Morgan  
R Bigwood  
N Dargan (resigned 30 December 2016)

### **DIRECTOR'S INDEMNITIES**

The Company's ultimate parent, TP ICAP plc, has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

### **POLITICAL CONTRIBUTIONS**

There were no political donations made by the Company during the year (2016: nil).

### **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **EMPLOYEE CONSULTATION**

The Company is committed to attracting, retaining, developing and advancing the most qualified persons without regard to their race, ethnicity, religion or belief, gender, age, sexual orientation or disability. This commitment is underpinned by policies on equal opportunities, harassment and discrimination, to which all employees are required to adhere.

In the event that an employee becomes disabled, the Group's policy is to make reasonable adjustments, including arranging training, to enable the employee to continue working for the Group.

The Company participates in the Group's policies and practices relating to current and prospective employees. These policies and practices are outlined in the Group's Annual Report which does not form part of this report.

# **ICAP EUROPE LIMITED**

## **Directors' Report for the year ended 31 March 2017**

Company Number: 00170463

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are 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

### **POST BALANCE SHEET EVENTS**

There have been no material post balance sheet events which require separate disclosure.

### **INDEPENDENT AUDITOR**

The Company's incumbent auditors, Deloitte LLP, have indicated their willingness to continue in office and are deemed reappointed in the next financial year.

### **PROVISION OF INFORMATION TO THE AUDITOR**

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware.

The directors have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report has been approved by the board of directors and signed by order of the board:



F Vogels  
Director

30 June 2017

# **ICAP EUROPE LIMITED**

## **Independent Auditor's Report to the members of ICAP Europe Limited**

We have audited the financial statements of ICAP Europe Limited for the year ended 31 March 2017 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

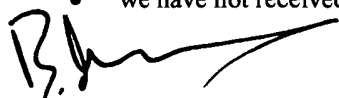
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



**Ben Jackson FCA (Senior Statutory Auditor)**

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

30 June 2017

# ICAP EUROPE LIMITED

## Profit and Loss Account for the year ended 31 March 2017

	<u>Note</u>	<u>Year ended</u> <u>31/03/2017</u> £'000	<u>Year ended</u> <u>31/03/2016</u> £'000
<b>Turnover</b>		158,319	137,741
Administrative expenses		(108,250)	(103,287)
Other operating income	8	424	188
Early accelerated share based payment	5	(544)	-
Separation bonus	5	(225)	-
<b>Operating profit</b>	4	<u>49,724</u>	<u>34,642</u>
Interest receivable and similar income	9	911	437
<b>Profit on ordinary activities before taxation</b>		<u>50,635</u>	<u>35,079</u>
Tax expense	10	(10,356)	(7,416)
<b>Profit for the financial year</b>		<u><u>40,279</u></u>	<u><u>27,663</u></u>

The profit of the Company for the year is derived from continuing operations.  
The notes on pages 10 to 23 are an integral part of these financial statements.

# ICAP EUROPE LIMITED

## Statement of Comprehensive Income for the year ended 31 March 2017

	<u>Year ended</u> <u>31/03/2017</u> £'000	<u>Year ended</u> <u>31/03/2016</u> £'000
<b>Profit for the financial year</b>	40,279	27,663
<b>Total comprehensive income for the financial year</b>	<u>40,279</u>	<u>27,663</u>

The notes on pages 10 to 23 are an integral part of these financial statements.



**ICAP EUROPE LIMITED**  
**Balance Sheet as at 31 March 2017**

Company Number: 00170463

	<u>Note</u>	<u>As at</u> <u>31/03/2017</u> £'000	<u>As at</u> <u>31/03/2016</u> £'000
<b>Non-current assets</b>			
Deferred tax asset	11	19	17
		<u>19</u>	<u>17</u>
<b>Current assets</b>			
Debtors	12	69,681	59,379
Cash and cash equivalents	13	19,207	24,162
		<u>88,888</u>	<u>83,541</u>
<b>Current liabilities</b>			
Creditors	14	(7,597)	(10,174)
Tax payable		(10,569)	(9,322)
		<u>(18,166)</u>	<u>(19,496)</u>
<b>Net current assets</b>		<u>70,722</u>	<u>64,045</u>
<b>Net assets</b>		<u>70,741</u>	<u>64,062</u>
<b>Equity</b>			
Share capital	15	54,821	54,821
Share premium		646	646
Retained earnings		15,274	8,595
<b>Total equity</b>		<u>70,741</u>	<u>64,062</u>

The notes on pages 10 to 23 are an integral part of these financial statements.

The financial statements on pages 6 to 23 were approved by the board of directors on 30 June 2017 and were signed on its behalf by:

  
F. Vogels  
Director

# ICAP EUROPE LIMITED

## Statement of Changes in Equity for the year ended 31 March 2017

	<u>Share capital</u> (note 15) £'000	<u>Share premium</u> £'000	<u>Retained earnings</u> £'000	<u>Total equity</u> £'000
As at 1 April 2015	54,821	646	5,432	60,899
Profit for the year	-	-	27,663	27,663
Dividends paid in the year (note 16)	-	-	(24,500)	(24,500)
As at 31 March 2016	54,821	646	8,595	64,062
Profit for the year	-	-	40,279	40,279
Dividends paid in the year (note 16)	-	-	(33,600)	(33,600)
As at 31 March 2017	54,821	646	15,274	70,741

The notes on pages 10 to 23 are an integral part of these financial statements.

### Share capital

The balance classified as share capital includes the nominal value of the proceeds on issue of the Company's share capital, comprising £1 ordinary shares.

### Share premium

The share premium includes the value of the proceeds above nominal on issue of the Company's share capital, comprising £1 ordinary shares.

# **ICAP EUROPE LIMITED**

## **Notes to the financial statements for the year ended 31 March 2017**

### **1. PRINCIPAL ACCOUNTING POLICIES**

#### **a) Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101), the Companies Act 2006 (the Act) as applicable to companies using FRS 101 and under the historic cost convention. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ('IFRS'). The accounting policies have been applied consistently, other than where new policies have been adopted. The financial statements are prepared in pound sterling which is the functional currency of the Company.

The Company is a qualifying entity for the purposes of FRS 101. Note 18 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The following disclosure exemptions have been adopted:

- comparatives for tangible and intangible non-current asset reconciliations;
- cash flow statements;
- key management compensation; and
- related party transactions between wholly-owned group companies.

The financial statements have been prepared on a going concern basis.

Items which are of a non-recurring nature and material, when considering both size and nature, are disclosed separately to give a clearer presentation of the Company's results. These are shown as separately on the face of the profit and loss account.

#### **b) Turnover**

Turnover comprises commission and brokerage income derived from money broking and is recognised on trade-date.

Money broking comprises voice and electronic broking and is transacted on an agency basis. For agency trades, turnover is stated net of rebates and discounts, value added tax and other sales taxes and is recognised in full on date of trade. Turnover from broking on electronic platforms is recognised on trade-date.

#### **c) Pension costs**

Certain employees of the Company participate in a Group defined contribution pension scheme operated by TP ICAP plc. The Company's contributions to the scheme are charged to the profit and loss account on an accruals basis.

# **ICAP EUROPE LIMITED**

## **Notes to the financial statements for the year ended 31 March 2017**

### **1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

#### **d) Tax**

Tax on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the current and deferred tax is also dealt with in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted by the balance sheet date.

Deferred tax is recognised using the liability method, in respect of all temporary differences between the carrying value of assets and liabilities for reporting purposes and the tax bases of the assets and liabilities. Deferred tax is calculated at the rate of tax expected to apply when the liability is settled or the asset is realised. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Calculations of current and deferred tax liability have been based on ongoing discussions with the relevant tax authorities, management's assessment of legal and professional advice, case law and other relevant guidance. Where the expected tax outcome of these matters is different from the amounts that were recorded initially, such differences will impact the current and deferred tax amounts in the period in which a reassessment of the liability is made.

#### **e) Foreign currencies**

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences are taken to the profit and loss account. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

#### **f) Debtors**

Debtors are recognised at cost less provision for impairment.

#### **g) Intercompany balances**

Intercompany balances are shown in accordance with the netting agreement, which allows netting of bilateral intercompany balances within entities that are party to the netting agreement.

#### **h) Debt provisioning**

Provisions are made for specific debts when it is considered that the creditworthiness of the debtor has deteriorated such that the recovery of all or part of a debt is in serious doubt.

A provision is made in respect of potential losses which are judged to be present in debtor balances at the balance sheet date, but which will not be identified as such until some time in the future. The level of provision is based upon the previous experience of such losses in the Company and is reviewed on a periodic basis. The appropriateness of the provision is periodically assessed against any actual losses that have arisen. All provisions are recorded within administrative expenses in the profit and loss account.

# **ICAP EUROPE LIMITED**

## **Notes to the financial statements for the year ended 31 March 2017**

### **1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

#### **i) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, overdrafts and demand deposits and other short-term highly liquid investments which are subject to insignificant risk of change in value and are readily convertible into a known amount of cash with less than three months maturity.

#### **j) Client Money**

The Company holds money on behalf of clients in accordance with the client money rules of the FCA. Since the Company is not beneficially entitled to these amounts, they are excluded from the balance sheet along with the corresponding liabilities to clients.

#### **k) Share capital**

Ordinary shares are classified as equity.

Dividends are recognised as deductions from the retained earnings in the period in which they are declared.

#### **l) New standards, amendments and interpretations**

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2016 have had a material impact on the Company.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the year ended 31 March 2017

### 2. FINANCIAL RISK MANAGEMENT

#### *Financial risk factors*

The Company's activities expose it to a variety of financial risks, including liquidity, interest rate, currency and credit risk. The overall financial risk management framework, strategy and policies of the Company are determined by the board of its ultimate parent company, TP ICAP plc. It does this through the Board Risk Committee, Group Executive Risk Committee and regional risk committees. The Company does not manage its own financial risk framework.

#### *Financial assets and liabilities*

The Company's financial assets are classified as loans and receivables. None of the Company's financial liabilities are held for trading.

The financial assets can be reconciled to the balance sheet as follows:

	<u>As at</u> <u>31/03/2017</u> £'000	<u>As at</u> <u>31/03/2016</u> £'000
<b>Financial assets</b>		
Cash and cash equivalents (note 13)	19,207	24,162
Debtors (note 12)	69,681	59,379
<i>Less</i>		
Prepayments (note 12)	<u>(4)</u>	<u>(373)</u>
	<u>88,884</u>	<u>83,168</u>

#### *Market risk*

##### Foreign exchange risk

The Company is exposed to both transactional and translational fluctuations in the value of financial instruments due to exchange rate movements.

Transactional exposure arises from administrative and other expenses and remittance of funds in currencies other than the Company's functional currency (sterling), principally United States dollars and euros. Translational exposure arises on the conversion of the foreign currency denominated assets and liabilities into sterling.

It is estimated that a 10 percent change in the exchange rates of the United States Dollar and the Euro would have an impact of £111,000 and £800,000 (2016: £138,000 and £550,000) respectively on the Company's profit and loss account and reserves.

For other currencies, the net foreign currency positions are considered to be insignificant. Any movements in these currencies against GBP is not expected to have a significant impact on the financial statements.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the year ended 31 March 2017

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below summarises the Company's exposure to concentrations of foreign and domestic currencies as at 31 March 2017:

	<u>USD</u> £'000	<u>EUR</u> £'000	<u>Other</u> £'000	<u>GBP</u> £'000	<u>Total</u> £'000
<b>Assets</b>					
Cash and cash equivalents	205	2,251	4	16,747	19,207
Debtors less prepayments	1,617	8,072	370	59,618	69,677
	<u>1,822</u>	<u>10,323</u>	<u>374</u>	<u>76,365</u>	<u>88,884</u>
<b>Liabilities</b>					
Creditors	(332)	(157)	(4)	(7,105)	(7,598)
	<u>(332)</u>	<u>(157)</u>	<u>(4)</u>	<u>(7,105)</u>	<u>(7,598)</u>
<b>Net assets</b>	<u>1,490</u>	<u>10,166</u>	<u>370</u>	<u>69,260</u>	<u>81,286</u>

The table below summarises the Company's exposure to concentrations of foreign and domestic currencies as at 31 March 2016:

	<u>USD</u> £'000	<u>EUR</u> £'000	<u>Other</u> £'000	<u>GBP</u> £'000	<u>Total</u> £'000
<b>Assets</b>					
Cash and cash equivalents	674	1,818	-	21,670	24,162
Debtors less prepayments	1,505	6,088	40	51,373	59,006
	<u>2,179</u>	<u>7,906</u>	<u>40</u>	<u>73,043</u>	<u>83,168</u>
<b>Liabilities</b>					
Creditors	(54)	(415)	-	(9,705)	(10,174)
	<u>(54)</u>	<u>(415)</u>	<u>-</u>	<u>(9,705)</u>	<u>(10,174)</u>
<b>Net assets</b>	<u>2,125</u>	<u>7,491</u>	<u>40</u>	<u>63,338</u>	<u>72,994</u>

#### Interest rate risk

The Company's interest rate risk arises from cash and cash equivalents where changes in market rates can have an adverse impact on cash flows and income streams. Interest rate risk is monitored at a Group level by the Board Risk Committee. In terms of cash and other interest bearing investments, the Company must comply with the Enterprise Risk Management Framework which includes policies and procedures for these key risks. Limits are in place to restrict the amount that can be invested at one institution and all investments must be credit rated AA or above and be for less than 18 months, unless approved by the Board Risk Committee.

As at 31 March 2017 there were no instruments with a contracted maturity or re-pricing date in excess of 18 months.

The Company estimates that a change of 1% in interest rates would have an impact of £192,000 (2016: £191,000) on the Company's profit and loss account and reserves.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the year ended 31 March 2017

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company's interest rate profile as at 31 March 2017 was as follows:

	<u>None</u> £'000	<u>Fixed</u> £'000	<u>Variable</u> £'000	<u>Total</u> £'000
<b>Assets</b>				
Cash and cash equivalents	-	16,748	2,459	19,207
Debtors less prepayments	69,677	-	-	69,677
	<u>69,677</u>	<u>16,748</u>	<u>2,459</u>	<u>88,884</u>
<b>Liabilities</b>				
Creditors	(7,597)	-	-	(7,597)
	<u>(7,597)</u>	<u>-</u>	<u>-</u>	<u>(7,597)</u>

The Company's interest rate profile as at 31 March 2016 was as follows:

	<u>None</u> £'000	<u>Fixed</u> £'000	<u>Variable</u> £'000	<u>Total</u> £'000
<b>Assets</b>				
Cash and cash equivalents	-	21,670	2,492	24,162
Debtors less prepayments	59,006	-	-	59,006
	<u>59,006</u>	<u>21,670</u>	<u>2,492</u>	<u>83,168</u>
<b>Liabilities</b>				
Creditors	(10,174)	-	-	(10,174)
	<u>(10,174)</u>	<u>-</u>	<u>-</u>	<u>(10,174)</u>



# ICAP EUROPE LIMITED

## Notes to the financial statements for the year ended 31 March 2017

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Credit risk*

Credit risk arises from the potential that a counterparty is unable or unlikely to perform on an obligation resulting in a loss for the Company. The Company's exposure to credit risk is limited since it acts as an intermediary whereby business is transacted on an agency basis. All counterparties are subject to regular review and assessment by regional credit officers and credit limits are set and approved by the appropriate credit committee. Limits are set based on Group parameters determining the maximum loss any one company (within the Group) can suffer as a result of counterparty default.

The Company has no significant concentrations of credit risk and the maximum exposure is limited to debtors (note 12) and cash (note 13).

#### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of funding through an adequate amount of committed credit. This is important to ensure that the Company can meet all present and future financial obligations as they fall due and comply with regulatory requirements. The Board Risk Committee monitors free cash resources ensuring that all companies within the Group maintain sufficient resources to finance their operations and that all investments comply with the Enterprise Risk Management Framework. This dictates borrowing and investing limits based on an institution's credit rating and the nature of financial instruments that can be held.

The Company's exposure to liquidity risk is not significant.

The following tables show the maturity of the Company's liabilities as at 31 March 2017 and 2016:

	On demand	Less than 3 months	3 months to 1 year	More than 1 year	Total
<b>31 March 2017</b>	£'000	£'000	£'000	£'000	£'000
<b>Liabilities</b>					
Creditors	(7,167)	(430)	-	-	(7,597)
	<u>(7,167)</u>	<u>(430)</u>	<u>-</u>	<u>-</u>	<u>(7,597)</u>

	On demand	Less than 3 months	3 months to 1 year	More than 1 year	Total
<b>31 March 2016</b>	£'000	£'000	£'000	£'000	£'000
<b>Liabilities</b>					
Creditors	(9,404)	(770)	-	-	(10,174)
	<u>(9,404)</u>	<u>(770)</u>	<u>-</u>	<u>-</u>	<u>(10,174)</u>

# **ICAP EUROPE LIMITED**

## **Notes to the financial statements for the year ended 31 March 2017**

### **2. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### *Fair value*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of financial instruments are determined as per the Company's accounting policies.

As at 31 March 2017 there are no assets or liabilities whose carrying value was not a reasonable approximation of its fair value (2016: none).

#### *Capital management*

The Company's capital strategy is to maintain an effective and strong capital base which maximises the return to its shareholders, while also maintaining flexibility and ensuring compliance with supervisory regulatory requirements. The capital structure of the Company consists of debt and equity, including share capital, share premium, other reserves and retained earnings.

The Company seeks to ensure that it has sufficient regulatory capital to meet regulatory requirements.

The regulatory capital level is set in accordance with the FCA's capital requirements. The approach is to hold an appropriate surplus over the minimum.

TP ICAP evaluates at the Company level the risks facing the business, to determine whether its capital is sufficient to cover any expected losses.

The Company complied with its regulatory capital requirements throughout the year.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the year ended 31 March 2017

### 3. KEY ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The Company makes various judgements in applying its accounting policies and various assumptions and estimates, including about the future, when determining the carrying value of certain assets and liabilities.

As at 31 March 2017 there were no such judgements or assumptions that had a significant effect on the amounts recognised in the financial statements. None of these items give rise to a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year.

### 4. OPERATING PROFIT

	<u>Year ended</u> <u>31/03/2017</u>	<u>Year ended</u> <u>31/03/2016</u>
	£'000	£'000
Operating profit is stated after charging:		
Wages & salaries and social security costs (note 6)	77,876	70,373
Other staff costs	1,485	1,304
Staff costs	<u>79,361</u>	<u>71,677</u>
Intercompany recharges and allocation	19,352	20,755
Telecoms costs	6,704	6,893
Client entertainment	1,848	1,971
Regulatory fees	533	694
Services provided by the Company's auditor:		
- Fees payable for the audit	70	64

The Company's administrative expenses includes costs paid in relation to a Save-As-You-Earn (SAYE) share option scheme of £895,000 (2016: £651,000) for options over ordinary shares in ICAP plc. These share options were vested following the completion of the sale and purchase agreement between ICAP plc and Tullett Prebon for the disposal of its Global Broking Business on 30 December 2016.

Fees paid to the Company's auditor, Deloitte LLP, and its associates for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of its parent, TP ICAP plc, include these fees on a consolidated basis.

The remainder of the administrative expenses primarily relate to other operating expenses.

### 5. NON-RECURRING ITEMS

A total of £769,000 non-recurring costs were recognised during the year. £544,000 early accelerated share-based compensation costs were recognised as a result of the completion of the sale and purchase agreement between ICAP plc and Tullett Prebon plc for the disposal of its Global Broking Business on 30 December 2016. This change of control event triggered changes to the unvested period of any awards made to employees of the Global Broking Business who had previously held Save-As-You-Earn share options with ICAP plc. All unvested awards immediately vested (accelerated vesting) which created the non-recurring charge. The remaining £225,000 costs recognised relate to discretionary bonuses paid to employees who had worked on the separation project of the Global Broking Business.

In the prior year, no non-recurring costs were incurred by the Company.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the year ended 31 March 2017

### 6. SALARY AND PAYROLL COSTS

Staff costs borne by the Company and included within the management recharge comprise:

	<u>Year ended</u> <u>31/03/2017</u>	<u>Year ended</u> <u>31/03/2016</u>
	£'000	£'000
Employee costs:		
Wages and salaries	68,622	62,321
Social security costs	8,936	7,675
Other pension costs	318	377
	<u>77,876</u>	<u>70,373</u>

The monthly average number of persons employed by the Company during the year was 220, comprising of 189 brokers, 11 trainees and 20 support staff (2016: 223, comprising of 199 brokers and 24 support staff).

All staff costs were borne by a fellow subsidiary company of TP ICAP plc and were charged to the Company by way of Group management charges.

### 7. DIRECTORS' REMUNERATION

Remuneration payable to the directors in respect of their services to the Company was as follows:

	<u>Year ended</u> <u>31/03/2017</u>		<u>Year ended</u> <u>31/03/2016</u>	
	Total	Highest paid director	Total	Highest paid director
	£'000	£'000	£'000	£'000
Aggregate emoluments	2,780	1,137	2,461	1,044
Contributions to defined contribution pension schemes	64	-	29	-
	<u>2,844</u>	<u>1,137</u>	<u>2,490</u>	<u>1,044</u>

As at 31 March 2017, retirement benefits are accruing to 3 directors (2016: no directors) under defined contribution schemes sponsored by TP ICAP plc.

### 8. OTHER OPERATING INCOME

This represents exchange differences arising on transactions in foreign currencies during the year and on the translation at the balance sheet date of assets and liabilities denominated in foreign currencies.

### 9. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>Year ended</u> <u>31/03/2017</u>	<u>Year ended</u> <u>31/03/2016</u>
	£'000	£'000
Bank deposits	32	173
Interest receivable from immediate parent company	879	264
	<u>911</u>	<u>437</u>

# ICAP EUROPE LIMITED

## Notes to the financial statements for the year ended 31 March 2017

### 10. TAX EXPENSE

	Year ended 31/03/2017 £'000	Year ended 31/03/2016 £'000
a) Analysis of charge for the year		
Current tax:		
UK Corporation tax	10,564	7,399
Adjustments in respect of prior years	(206)	15
	<u>10,358</u>	<u>7,414</u>
Deferred tax:		
Deferred tax (note 11) - current year	1	5
Adjustments in respect of prior years (note 11)	(3)	(3)
	<u>(2)</u>	<u>2</u>
	<u>10,356</u>	<u>7,416</u>
b) Factors affecting the tax charge for the year		
Profit on ordinary activities before tax	<u>50,635</u>	<u>35,079</u>
Tax calculated at a rate of 20% (2016: 20%)	10,127	7,016
Effects of:		
Expenses not deductible for tax purposes	457	420
Deductions allowable for tax purposes	-	(13)
Adjustments in respect of prior years – current tax	(206)	15
Adjustments in respect of prior years – deferred tax	(3)	(3)
Double tax relief	(19)	(20)
Impact of change in rate for deferred tax	-	1
	<u>229</u>	<u>400</u>
Tax charge for the year	<u>10,356</u>	<u>7,416</u>
Effective tax rate	20%	21%

In the UK, legislation to reduce the corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020 has been enacted. UK deferred tax will therefore unwind at a rate of 19% for periods from 1 April 2017 to 31 March 2020 and at a rate of 17% thereafter.

In accordance with the Capital Requirements Directive IV (CRD IV) and the associated Capital Requirements (Country-by-Country Reporting) Regulations 2013, effective January 2014, the Company will publish additional information at the following web address: [www.tpicap.com](http://www.tpicap.com).

# ICAP EUROPE LIMITED

## Notes to the financial statements for the year ended 31 March 2017

### 11. DEFERRED TAX ASSET

The deferred tax asset was as follows:

	<u>As at</u> <u>31/03/2017</u> £'000	<u>As at</u> <u>31/03/2016</u> £'000
Capital allowances	19	17
	<u>19</u>	<u>17</u>
	<u>2017</u> £'000	<u>2016</u> £'000
At beginning of the year	17	12
Transferred to the profit and loss account (note 10)	2	(2)
Other movements	-	7
As at 31 March	<u>19</u>	<u>17</u>

### 12. DEBTORS

	<u>As at</u> <u>31/03/2017</u> £'000	<u>As at</u> <u>31/03/2016</u> £'000
<b>Current</b>		
Agency trade debtors	32,185	21,183
Provision for impairment	(10)	-
<b>Net trade debtors</b>	<u>32,175</u>	<u>21,183</u>
Amounts owed by immediate parent company	213	1,946
Amounts owed by related group companies	789	377
Loan owed by immediate parent company	36,500	35,500
Prepayments and accrued income	4	373
	<u>69,681</u>	<u>59,379</u>

The majority of net trade debtors which are neither impaired nor past their normal settlement dates are held with high quality credit institutions.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the year ended 31 March 2017

### 12. DEBTORS (CONTINUED)

As at 31 March 2017 the following trade debtors were past their normal settlement date, but had not been impaired:

	<u>As at</u> <u>31/03/2017</u> £'000	<u>As at</u> <u>31/03/2016</u> £'000
Less than 30 days, and not yet due	18,313	13,965
Less than 90 days, and past due date	8,695	6,841
Over 90 days, but less than 180 days, and past due date	3,851	333
Over 180 days, and past due date	1,669	44
	<u>32,528</u>	<u>21,183</u>

### 13. CASH AND CASH EQUIVALENTS

	<u>As at</u> <u>31/03/2017</u> £'000	<u>As at</u> <u>31/03/2016</u> £'000
Cash at bank and in hand	2,459	2,492
Short-term bank deposits	16,748	21,670
	<u>19,207</u>	<u>24,162</u>

The short-term bank deposits have a maturity of 30 days or less.

### 14. CREDITORS

	<u>As at</u> <u>31/03/2017</u> £'000	<u>As at</u> <u>31/03/2016</u> £'000
<b>Amounts falling due within one year</b>		
Amounts owed to intermediate parent company	-	330
Amounts owed to related group companies	7,167	9,074
Other creditors	130	140
Accruals	300	630
	<u>7,597</u>	<u>10,174</u>

# ICAP EUROPE LIMITED

## Notes to the financial statements for the year ended 31 March 2017

### 15. SHARE CAPITAL

	<u>As at</u> <u>31/03/2017</u> £'000	<u>As at</u> <u>31/03/2016</u> £'000
<b>Allotted and fully paid:</b>		
54,821,157 Ordinary shares of £1 each (2016: 54,821,157)	54,821	54,821
	<u>54,821</u>	<u>54,821</u>

### 16. DIVIDENDS

	<u>Year ended</u> <u>31/03/2017</u> £'000	<u>Year ended</u> <u>31/03/2016</u> £'000
Dividend paid of 13.5p per share (2016: 9.1p per share)	7,400	5,000
Dividend paid of 30.5p per share (2016: 10.9p per share)	16,700	6,000
Dividend paid of 17.3p per share (2016: 24.7p per share)	9,500	13,500
	<u>33,600</u>	<u>24,500</u>

### 17. CONTINGENT LIABILITIES

On 31 March 2015, ICAP plc was removed as a defendant from the civil actions commenced in the US relating to alleged manipulation of Yen Libor and EuroYen Tibor. However, the plaintiff was given permission to add the Company as a defendant. Other plaintiffs filed a related complaint also alleging manipulation of Yen Libor and EuroYen Tibor against the Company. On 10 March 2017, the Company was dismissed as a defendant for lack of personal jurisdiction from the first action. Also, on 10 March 2017, the Company was dismissed from the second action without any discussion of personal jurisdiction, but rather on the grounds that plaintiffs lacked antitrust standing to bring the case because their activity in the market was too attenuated from the alleged bad conduct to bring a case. Plaintiffs have appealed the dismissal of the second action, but it will not be briefed for several months. The first action is still pending as to other defendants so the dismissal decision for lack of personal jurisdiction has not yet been appealed. It is not practicable to predict the ultimate outcome of the litigation. As a result it is not possible to provide an estimate of any potential financial impact on the Company.

### 18. ULTIMATE PARENT COMPANY

#### Parent company

The Company's immediate parent is ICAP Global Broking Holdings Limited, which does not prepare consolidated financial statements.

The Company's ultimate parent is TP ICAP plc, formerly Tullett Prebon plc, which is incorporated in the United Kingdom and registered in England and Wales, and heads the largest group of companies of which the Company is a member. TP ICAP plc prepares consolidated financial statements in accordance with IFRS. Copies of TP ICAP plc financial statements are available from the registered office: Tower 42, Level 37, 25 Old Broad Street, London EC2N 1HQ.