

**Company Number: 00170463**

**ICAP EUROPE LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED**  
**31 DECEMBER 2017**

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# **ICAP EUROPE LIMITED**

## **Strategic Report for the nine months ended 31 December 2017**

The directors present their Report and the audited financial statements of ICAP Europe Limited (the 'Company') for the nine month period ended 31 December 2017.

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

The directors consider that the period 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.

However, a regular flow of business has been maintained and from good levels of debt issuance and movement in underlying asset prices in core product offerings.

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.

### **RESULTS**

The results of the Company are set out in the profit and loss account on page 8.

The profit for the financial period/year of £28,485,000 (31 March 2017: profit of £40,279,000) has been transferred to reserves.

The net assets of the Company are £70,226,000 (31 March 2017: £70,741,000).

### **NON-RECURRING ITEMS**

During the prior year a total of £769,000 non-recurring costs were recognised. £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 profit and loss as "Early accelerated share based payment". The remaining £225,000 of non-recurring costs related 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 profit and loss.

There are no such charges in the current period.

### **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 management and strategic and business risk.

#### Credit 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.

# ICAP EUROPE LIMITED

## Strategic Report for the nine months ended 31 December 2017

### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

#### Operational risk

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

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 Finance and Operations departments.

#### Capital management risk

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 period.

#### Strategic and business risk

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.

The Company is preparing for the departure of the UK from the EU in March 2019. There are material implications for the Company and the wider financial markets of Brexit and significant differences 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 has a network of offices in Paris, Frankfurt, Madrid and in other locations. TP ICAP plc has a working group which is designing and implementing the changes required in order to be in a position to provide uninterrupted service to our clients after March 2019. These might encompass, inter alia, changes to our operating model, our corporate structure, our technology provision, our governance and our processes and workflow.

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 41% (31 March 2017: 57%). This has been reduced compared to the previous year due to the shortened nine month period. This is in line with management expectations.

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 in 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

12 March 2018

# **ICAP EUROPE LIMITED**

## **Directors' Report for the nine months ended 31 December 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 Company is a private Company and limited by shares. The registered office is Tower 42, Level 37, 25 Old Broad Street, London, England, EC2N 1HQ.

On 20 October 2017, the Company changed its accounting reference date to 31 December to align with the TP ICAP plc group's accounting period. As a result, the Company's current accounting period is shortened to a nine month period ended 31 December 2017. The prior year comparison is for the year ended 31 March 2017.

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

Details of business review and future developments can be found in the Strategic Report on page 1.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Details of principal risks and uncertainties can be found in the Strategic Report on pages 1 and 2.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's activities expose it to a number of financial risks including market risk, credit risk, capital risk and liquidity risk. Details of financial risks are included in the Strategic report on pages 1 and 2.

### **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 11.

### **DIVIDENDS**

Dividends of £29,000,000 (31 March 2017: £33,600,000) were paid during the period/year. No dividends have been proposed up to the date of signing.

### **DIRECTORS**

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

F Vogels  
A Berry  
J Scard-Morgan  
R Bigwood

### **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 period (31 March 2017: £nil).

# **ICAP EUROPE LIMITED**

## **Directors' Report for the nine months ended 31 December 2017**

Company Number: 00170463

### **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.

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.

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the 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 between the period end date and the date of signing this report 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.

# **ICAP EUROPE LIMITED**

## **Directors' Report for the nine months ended 31 December 2017**

Company Number: 00170463

### **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:

A handwritten signature in black ink, appearing to be 'F. Vogel', is written over a circular stamp. The signature is slanted and somewhat stylized.

F. Vogel

Director

12 March 2018

# **ICAP EUROPE LIMITED**

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

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

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ICAP Europe Limited which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

# ICAP EUROPE LIMITED

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

### Responsibilities of directors

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, and for such internal control as the directors 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the 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 auditor's 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.

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

### Use of our report

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.

### Report on other legal and regulatory requirements

#### Opinions 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 or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



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

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

12 March 2018



# ICAP EUROPE LIMITED

## Profit and Loss Account for the nine months ended 31 December 2017

	<u>Note</u>	<u>Period ended</u> <u>31/12/2017</u> £'000	<u>Year ended</u> <u>31/03/2017</u> £'000
<b>Turnover</b>		115,916	158,319
Administrative expenses		(81,001)	(108,250)
Other operating (expenses) / income	8	(123)	424
Early accelerated share based compensation cost	5	-	(544)
Separation bonus	5	-	(225)
<b>Operating profit</b>	4	<u>34,792</u>	<u>49,724</u>
Interest receivable and similar income	9	658	911
<b>Profit on ordinary activities before taxation</b>		<u>35,450</u>	<u>50,635</u>
Tax on profit	10	(6,965)	(10,356)
<b>Total comprehensive profit for the financial period / year</b>		<u><u>28,485</u></u>	<u><u>40,279</u></u>

The profit of the Company for the period is derived from continuing operations.

There were no items of comprehensive income in the current period or prior year other than the profit for the period / year and, accordingly, no statement of comprehensive income is presented.

The notes on pages 11 to 25 are an integral part of these financial statements.

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

Company Number: 00170463

	<u>Note</u>	<u>As at</u> <u>31/12/2017</u> £'000	<u>As at</u> <u>31/03/2017</u> £'000
<b>Non-current assets</b>			
Deferred tax asset	11	14	19
		<u>14</u>	<u>19</u>
<b>Current assets</b>			
Debtors	12	64,556	69,681
Cash and cash equivalents	13	25,350	19,207
		<u>89,906</u>	<u>88,888</u>
<b>Current liabilities</b>			
Creditors	14	(2,181)	(7,597)
Tax payable		(17,513)	(10,569)
		<u>(19,694)</u>	<u>(18,166)</u>
<b>Net current assets</b>		<u>70,212</u>	<u>70,722</u>
<b>Net assets</b>		<u>70,226</u>	<u>70,741</u>
<b>Equity</b>			
Share capital	15	54,821	54,821
Share premium		646	646
Retained earnings		14,759	15,274
<b>Total equity</b>		<u>70,226</u>	<u>70,741</u>

The notes on pages 11 to 25 are an integral part of these financial statements.

The financial statements on pages 8 to 25 were approved and authorised for issue by the board of directors on 12 March 2018 and were signed on its behalf by:

  
F. Vogels  
Director

# ICAP EUROPE LIMITED

## Statement of Changes in Equity for the nine months ended 31 December 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 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
Profit for the period	-	-	28,485	28,485
Dividends paid in the period (note 16)	-	-	(29,000)	(29,000)
As at 31 December 2017	54,821	646	14,759	70,226

The notes on pages 11 to 25 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 54,821,157 ordinary shares with a par value of £1.00.

### 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 nine months ended 31 December 2017

### 1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES

#### General information

##### 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;
- related party transactions between wholly-owned group companies; and
- the expected impact of future accounting standards not yet effective.

The financial statements have been prepared on a going concern basis. Details of the going concern can be found in the Directors report on page 3.

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.

#### Principle accounting policies

##### a) 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. All turnover relates to European brokerage.

##### b) 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.

##### c) Interest receivable and similar income

Interest income is recognised using the effective interest method.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 2017

### 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### d) Tax

Tax on the profit for the period 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 amortised 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 sometime 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 nine months ended 31 December 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.

#### l) Impairment of assets

An impairment review of the recoverable amounts of assets is undertaken at each balance sheet date or when such events or change in circumstances indicate that an impairment loss may have occurred.

#### m) 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 2017 have had a material impact on the Company.

#### n) Dividend

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

#### o) Share based payment

The ultimate parent, TP ICAP plc, issues equity-settled share-based payments to certain of the Company's directors and employees. Equity-settled share-based payments are measured at fair value at the date of grant. Market based performance conditions for equity-settled payments are reflected in the initial fair value of the award. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on estimated number of shares that will eventually vest.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 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 Company's financial liabilities are classified as other financial liabilities.

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

	<u>As at</u> <u>31/12/2017</u>	<u>As at</u> <u>31/03/2017</u>
	£'000	£'000
<b>Financial assets</b>		
Cash and cash equivalents (note 13)	25,350	19,207
Debtors (note 12)	64,556	69,681
<i>Less</i>		
Prepayments (note 12)	(117)	(4)
	<u>89,789</u>	<u>88,884</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 cent change in the exchange rates of the United States Dollar and the Euro would have an impact of £176,000 and £874,000 (31 March 2017: £111,000 and £800,000) 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 nine months ended 31 December 2017

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below summarises the Company's exposure to concentrations of foreign and domestic currencies as at 31 December 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	1,918	3,969	269	19,194	25,350
Debtors less prepayments	1,198	7,007	742	55,492	64,439
	<u>3,116</u>	<u>10,976</u>	<u>1,011</u>	<u>74,686</u>	<u>89,789</u>
<b>Liabilities</b>					
Creditors	(626)	(186)	(12)	(1,357)	(2,181)
	<u>(626)</u>	<u>(186)</u>	<u>(12)</u>	<u>(1,357)</u>	<u>(2,181)</u>
<b>Net assets</b>	<u>2,490</u>	<u>10,790</u>	<u>999</u>	<u>73,329</u>	<u>87,608</u>

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>

#### 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 December 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 £214,000 (31 March 2017: £192,000) on the Company's profit and loss account and reserves.



# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 2017

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company's interest rate profile as at 31 December 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	-	19,185	6,165	25,350
Debtors less prepayments	64,439	-	-	64,439
	<u>64,439</u>	<u>19,185</u>	<u>6,165</u>	<u>89,789</u>
<b>Liabilities</b>				
Creditors	(2,181)	-	-	(2,181)
	<u>(2,181)</u>	<u>-</u>	<u>-</u>	<u>(2,181)</u>

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>

# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 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 December 2017 and 31 March 2017:

	On demand	Less than 3 months	3 months to 1 year	More than 1 year	Total
<b>31 December 2017</b>	£'000	£'000	£'000	£'000	£'000
<b>Liabilities</b>					
Creditors	(1,837)	(344)	-	-	(2,181)
	<u>(1,837)</u>	<u>(344)</u>	<u>-</u>	<u>-</u>	<u>(2,181)</u>
<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>

# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As at 31 December 2017 there are no assets or liabilities whose carrying value was not a reasonable approximation of its fair value (31 March 2017: 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 period.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 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 December 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>Period ended</u> <u>31/12/2017</u> £'000	<u>Year ended</u> <u>31/03/2017</u> £'000
Operating profit is stated after charging:		
Wages & salaries and social security costs (note 6)	56,394	77,876
Other staff costs	538	1,485
Staff costs	56,932	79,361
InterCompany recharges and allocation	15,999	19,352
Telecoms costs	4,989	6,704
Client entertainment	1,580	1,848
Regulatory fees	355	533
Services provided by the Company's auditor:		
- Fees payable for the audit	64	70

In the prior year the Company's administrative expenses includes costs paid in relation to a Save-As-You-Earn (SAYE) share option scheme of £895,000 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 Prebom plc for the disposal of its Global Broking Business on 30 December 2016.

There are no such costs in the current period.

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

During the prior year, £769,000 non-recurring costs were recognised. £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 Prebom 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 related to discretionary bonuses paid to employees who had worked on the separation project of the Global Broking Business.

There are no such charge in the current period.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 2017

### 6. SALARY AND PAYROLL COSTS

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

	<u>Period ended</u> <u>31/12/2017</u>	<u>Year ended</u> <u>31/03/2017</u>
	£'000	£'000
Employee costs:		
Wages and salaries	48,967	68,622
Social security costs	7,229	8,936
Other pension costs	198	318
	<u>56,394</u>	<u>77,876</u>

The monthly average number of persons employed by the Company during the period was 208, comprising of 174 brokers and 34 support staff (March 2017: 220, comprising of 200 brokers and 20 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 management charges.

### 7. DIRECTORS' REMUNERATION

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

	<u>Period ended</u> <u>31/12/2017</u>		<u>Year ended</u> <u>31/03/2017</u>	
	Total	Highest paid director	Total	Highest paid director
	£'000	£'000	£'000	£'000
Aggregate emoluments	2,395	1,068	2,780	1,137
Contributions to defined contribution pension schemes	18	-	64	-
	<u>2,413</u>	<u>1,068</u>	<u>2,844</u>	<u>1,137</u>

As at 31 December 2017, retirement benefits are accruing to 2 directors ( 31 March 2017: 3 directors) under defined contribution schemes sponsored by TP ICAP plc.

### 8. OTHER OPERATING (EXPENSES) / 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.

# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 2017

### 9. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>Period ended</u> <u>31/12/2017</u> £'000	<u>Year ended</u> <u>31/03/2017</u> £'000
Bank deposits	18	32
Interest receivable from immediate parent Company	640	879
	<u>658</u>	<u>911</u>

### 10. TAX EXPENSE

	<u>Period ended</u> <u>31/12/2017</u> £'000	<u>Year ended</u> <u>31/03/2017</u> £'000
a) Analysis of charge for the period/year		
Current tax:		
UK Corporation tax	6,943	10,564
Adjustments in respect of prior years	-	(206)
Overseas tax	17	
	<u>6,960</u>	<u>10,358</u>
Deferred tax:		
Deferred tax (note 11) - current period/year	5	1
Adjustments in respect of prior years (note 11)	-	(3)
	<u>5</u>	<u>(2)</u>
	<u>6,965</u>	<u>10,356</u>
b) Factors affecting the tax charge for the period/year		
Profit on ordinary activities before tax	<u>35,450</u>	<u>50,635</u>
Tax calculated at a rate of 19% for the nine month period (31 March 2017: 20%):	6,736	10,127
Effects of:		
Expenses not deductible for tax purposes	212	457
Adjustments in respect of prior years – current tax	-	(206)
Adjustments in respect of prior years – deferred tax	-	(3)
Overseas tax not recoverable	17	(19)
	<u>229</u>	<u>229</u>
Tax charge for the period/year	<u>6,965</u>	<u>10,356</u>
Effective tax rate	20%	20%

# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 2017

### 10. TAX EXPENSE (CONTINUED)

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).

### 11. DEFERRED TAX ASSET

The deferred tax asset was as follows:

	<u>As at</u> <u>31/12/2017</u> £'000	<u>As at</u> <u>31/03/2017</u> £'000
Capital allowances	14	19
	<u>14</u>	<u>19</u>
	<u>31/12/2017</u> £'000	<u>31/03/2017</u> £'000
At beginning of the year	19	17
Transferred to the profit and loss account (note 10)	(5)	2
Other movements	-	-
As at 31 December 2017	<u>14</u>	<u>19</u>

### 12. DEBTORS

	<u>As at</u> <u>31/12/2017</u> £'000	<u>As at</u> <u>31/03/2017</u> £'000
<b>Current</b>		
Agency trade debtors	26,090	32,185
Provision for impairment	(10)	(10)
<b>Net trade debtors</b>	<u>26,080</u>	<u>32,175</u>
Amounts owed by immediate parent Company	639	213
Amounts owed by related group companies	1,219	789
Loan owed by immediate parent Company	36,500	36,500
Prepayments and accrued income	117	4
Other debtors	1	-
	<u>64,556</u>	<u>69,681</u>

# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 2017

### 12. DEBTORS (CONTINUED)

The majority of net trade debtors which aren't impaired are held with high quality credit institutions.

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

	<u>As at</u> <u>31/12/2017</u> £'000	<u>As at</u> <u>31/03/2017</u> £'000
Less than 30 days, and not yet due	12,450	18,313
Over 30 days, but less than 90 days, and past due date	10,366	12,546
Over 90 days, and past due date	3,264	1,669
	<u>26,080</u>	<u>32,528</u>

### 13. CASH AND CASH EQUIVALENTS

	<u>As at</u> <u>31/12/2017</u> £'000	<u>As at</u> <u>31/03/2017</u> £'000
Cash at bank and in hand	6,165	2,459
Short-term bank deposits	19,185	16,748
	<u>25,350</u>	<u>19,207</u>

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

### 14. CREDITORS

	<u>As at</u> <u>31/12/2017</u> £'000	<u>As at</u> <u>31/03/2017</u> £'000
<b>Amounts falling due within one year</b>		
Amounts owed to related group companies	1,837	7,167
Other creditors	300	130
Accruals	44	300
	<u>2,181</u>	<u>7,597</u>



# ICAP EUROPE LIMITED

## Notes to the financial statements for the nine months ended 31 December 2017

### 15. SHARE CAPITAL

	<u>As at</u> <u>31/12/2017</u> £'000	<u>As at</u> <u>31/03/2017</u> £'000
<b>Allotted and fully paid:</b>		
54,821,157 Ordinary shares of £1 each (31 March 2017: 54,821,157)	54,821	54,821
	<u>54,821</u>	<u>54,821</u>

### 16. DIVIDENDS

	<u>Year ended</u> <u>31/12/2017</u> £'000	<u>Year ended</u> <u>31/03/2017</u> £'000
Dividend paid of 18.2p per share (31 March 2017: 13.5p per share)	10,000	7,400
Dividend paid of 34.75p per share (31 March 2017: 30.5p per share)	19,000	16,700
Dividend paid of nil per share (31 March 2017: 17.3p per share)	-	9,500
	<u>29,000</u>	<u>33,600</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. 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. 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 that appeal is currently stayed pending resolution of issues in the district court relating to settlements with some of the bank defendants.

On 15 December 2017, the Stichting Elco Foundation, a Netherlands-based claim foundation, filed a writ initiating new litigation in Dutch court in Amsterdam on behalf of institutional investors against the Company, ICAP PLC, Cooperative Rabobank U.A., UBS AG, UBS Securities Japan Co. Ltd, Lloyds Banking Group PLC, and Lloyds Bank PLC. The litigation alleges manipulation by the defendants of the JPY Libor, GBP Libor, CHF Libor, USD Libor, Euribor, Tibor, SOR, BBSW and Hibor benchmark rates, and seeks a declaratory judgment that the defendants acted unlawfully and conspired to engage in improper manipulation of benchmarks. If the plaintiffs succeed in the action, the defendants would be responsible for paying costs of the litigation, but each allegedly impacted investor would need to prove its own actual damages. It is not possible at this time to determine the final outcome of this litigation, but the Company has factual and legal defenses to the claims and intends to defend the lawsuit vigorously.

# **ICAP EUROPE LIMITED**

## **Notes to the financial statements for the nine months ended 31 December 2017**

### **17. CONTINGENT LIABILITIES (CONTINUED)**

The Company was named as a defendant in a Second Amended Class Action Complaint filed in the United States District Court for the Southern District of New York on December 8, 2017, brought by lead defendant Sonterra Capital Master Fund Ltd. No director or officer of the Company has been named as a defendant. The civil complaint names numerous banks and inter-dealer brokers as defendants, and alleges manipulation and collusion of rates concerning Swiss Franc LIBOR based derivatives during the period 2001 - 2011, to the alleged detriment of certain institutional investor. Service of process has yet to be perfected, and the Company has not filed a responsive pleading, but we generally deny the allegations of any wrongdoing and intend to defend the matter vigorously. 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. POST BALANCE SHEET EVENTS**

There have been no material post balance sheet events between the period end date and the date of signing this report which require separate disclosure.

### **19. ULTIMATE 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, which is incorporated in the United Kingdom and registered in England and Wales. The parent undertaking of the smallest and the largest group which includes the Company for which group accounts are prepared is TP ICAP plc. 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.