

## TFS-ICAP Limited

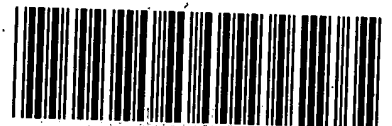
Strategic report, Directors' report and statutory financial statements

31 December 2021

Registered no: 4025995

PLEASE NOTE  
AMENDING DOE  
TO INCOMPLETE  
ON LING FILE.  
MANY THANKS

FF TUESDAY



A03	*ABEF90LC*	11/10/2022	#17
COMPANIES HOUSE			
A24	*ABDNBHNL*	30/09/2022	#109
COMPANIES HOUSE			

## Contents

Oath or affirmation .....	3
General information.....	4
Strategic report.....	5
Directors' report.....	8
Statement of Directors' responsibilities in respect of financial statements .....	10
Independent auditors' report to the members of TFS-ICAP Limited.....	11
Statement of comprehensive income.....	14
Balance sheet .....	15
Statement of changes in equity.....	16
Statement of cash flows .....	17
Notes to the financial statements.....	18

TFS-ICAP Limited

## Oath or affirmation

I, L Rosenshein, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedules pertaining to the form of TFS-ICAP Limited, as at 31 December 2021 are correct.

A handwritten signature in black ink, appearing to read 'L Rosenshein', written over a horizontal dashed line.

L Rosenshein  
Director  
31 March 2022

## General information

<b>Directors</b>	I Chicken S Manwaring J Marchese P Newman L Rosenshein A Belchambers (Chairperson)
<b>Secretary</b>	P Weston
<b>Registered office</b>	Beaufort House 15 St. Botolph Street London EC3A 7QX
<b>Auditors</b>	Ernst & Young LLP 25 Churchill Place London E14 5EY
<b>Solicitors</b>	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
<b>Bankers</b>	NatWest 120 – 122 Fenchurch Street London EC2M 5AN

## **Strategic report**

The Directors present their strategic report for the year ended 31 December 2021 for TFS-ICAP Limited ("the Company"). The Company is a private limited company incorporated in the United Kingdom and registered in England and Wales.

### **Principal activities and review of the business**

The Company's principal activity is the broking of currency options with its core clients being banks and financial institutions. The Company also operates an electronic matching system for currency options called Volbroker.

The Company is a joint venture between Compagnie Financière Tradition (CFT) Group, CME Group and Volbroker.com Limited.

The Company is authorised and regulated in the UK by the Financial Conduct Authority (FCA) in order to undertake certain regulated activities. As an introducing broker, the Company is also regulated by the Commodities Futures Trading Commission (CFTC) in the US on behalf of the National Futures Association (NFA).

The Company has key risk indicators including regulatory capital, which is monitored on an on-going basis. The Company's key financial indicators are turnover and operating profit. Turnover decreased by £2,877k from £18,792k to £15,915k, a decrease of 15%. This was due partly to a brokerage compression in G10 and to a lesser extent in Emerging Markets, but mostly due to the effects of the COVID-19 pandemic on global market volumes (see principal risks and uncertainties below). Administrative expenses have also decreased by £6,009k to £15,142k, a decrease of 28%.

The Company reported an operating profit of £773k (2020 loss: £2,359k) for the year.

The Company recognised other income relating to the provision of electronic data to third parties (data sales) of £897k (2020: £927k) and net interest payable of £76k (2020: £21k).

Shareholders' funds increased from £9,579k to £10,816k year on year due to the profit for the year after taxation of £1,237k (2020 loss: £1,854k).

### **Forward looking**

Recent industry mergers leave a landscape with three global players across most markets. Inherently, the Company views this as being of benefit as there is greater potential to increase market share as clients choose to diversify their business.

There is no doubt that electronic platforms are growing in importance however the default model would appear to be a hybrid model where the broker remains involved. Given this has been the global Tradition Group strategy, the Company does not see the prevalence of electronic platforms as an imminent threat although it is something that is continually monitored.

### **Principal risks and uncertainties**

#### **Brexit**

The United Kingdom left the European Union on 31 January 2020, with a transition period to negotiate a trade agreement ending on 31 December 2020.

Since TFS-ICAP Limited has limited exposure to European clients, the impact of Brexit on the Company has been limited. The Board continues to actively monitor the situation.

#### **Other risks - Coronavirus disease 2019 ("COVID-19")**

The COVID-19 pandemic has resulted in significant volatility in financial markets as well as disruptions to people's lives as a result of prevent measures at a national and global level.

The Company has managed its response to COVID-19 which included the successful provision of significant remote working capabilities supported by IT, to enable front and back office personnel to work away from the Company's offices whilst still maintaining appropriate controls and risk processes over their activities. There has not been any material disruption to operations as a result, although it has depressed the market and lead to a downturn in revenue.

The impact of COVID-19 is now considered part of the usual course of business and any impact of this is incorporated in the base case financial modelling of the Company. The financial modelling undertaken as part of the going concern assessment shows that the Company would still be able to withstand this downturn in revenues whilst remaining able to meet its liabilities as they fall due and regulatory capital requirements for the period up to 31 March 2023 and as a result the Board currently has no reason to believe that this will affect the going concern status of the Company. Senior management of the Company are in receipt of frequent management information including daily revenue which enables them to assess the matter as it develops.

#### **Russian invasion of Ukraine**

In the build-up to the current crisis in Ukraine, Western allies warned Russia that any breach of Ukraine's territorial integrity and sovereignty would be met with unprecedented economic measures. On 24 February 2022, Russian military forces crossed the border into Ukraine and are currently conducting a full-scale assault on the country. The UK, EU, US, and other allies, have responded with significant coordinated sanctions, targeting Russia's financial sector, strategic sectors of the economy such as defence and aerospace, and individuals close to the Putin regime.

The products, activities and counterparties related to these events represent a very limited part of the Company's activities. In addition, as of 31 December 2021, the Group's exposure to credit risk on receivables from Russian counterparties is marginal.

TFS-ICAP Limited

The situation is constantly changing; however, there were no material adverse effects on the Company's financial statements as of 31 March 2022.

### **Other risks**

The Company operates as a broker in various financial markets. As such it does not take any proprietary positions and acts solely as an intermediary for clients. The main risks facing the business arising out of its broking activities are operational risk, credit risk, liquidity risk, conduct risk, legal and reputational risk (see note 25: Financial risk management policies and objectives). The Company operates in a competitive environment and therefore is also subject to changes in markets and the actions of competitors.

By order of the Board



L Rosenshein  
Director  
31 March 2022

## Directors' report

The Directors present their report and financial statements for the year ended 31 December 2021.

### Directors and their interests

The Directors who served during the year and up until the date of signing were as follows:

I Chicken  
P Newman  
S Manwaring  
L Rosenshein  
J Marchese  
A Belchambers

None of the Directors had any beneficial interest in the share capital of the Company at any time during the year.

### Results and dividends

The Company recognised a profit for the year after taxation £1,237k (2020 loss: £1,854k) as shown in the statement of comprehensive income on page 14. The Directors do not recommend paying a final dividend (2020: £nil). No interim dividend was paid during the year (2020: £nil).

### Directors' liabilities

The Company has granted an indemnity to one or more Directors of the Company against liability in respect of proceedings brought by the CFTC investigation, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year.

### Going concern

The Directors are satisfied that the Company has adequate resources to continue to operate as a going concern for the period up to 31 March 2023. In reaching this conclusion, they have considered the current and forecast regulatory capital and liquidity positions, as well as budgets and financial models for a period covering 2022 and up to 31 March 2023. In addition, an assessment has been undertaken to determine any negative impact on the Company caused by the current Russian sanctions. The financial impact was deemed immaterial and the sanctions do not pose an issue to the Going Concern of the Company.

### Future developments

The Company's focus is on maintaining and developing its position as a key player in the wholesale inter-dealer broker market.

### Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.



TFS-ICAP Limited

### **Auditors**

The auditor in office has not been re-appointed pursuant to section 487(2) of the Companies Act 2006. The Board will appoint a new auditor in due course.

### **Donations**

During the year the Company made charitable donations of £nil (2020: £nil).

By order of the Board



L Rosenshein  
Director  
31 March 2022

## **Statement of Directors' responsibilities in respect of financial statements**

The following statement, which should be read in conjunction with the independent auditors report on pages 11-13, is made by the directors to explain their responsibilities in relation to the preparation of the Directors' Report, Strategic Report and Financial Statements.

The directors are responsible for preparing the Directors' Report, Strategic Report and the Financial Statements in accordance with applicable Laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK adopted International Accounting Standards.

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 of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of UK adopted International Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state that the Company had complied with UK adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping adequate accounting records that 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.

## **Independent auditors' report to the members of TFS-ICAP Limited**

### **Opinion**

We have audited the financial statements of TFS-ICAP Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flow and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 March 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **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 directors' report have been prepared in accordance with applicable legal requirements.

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

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are UK Companies Act 2006, UK tax legislation, the requirements of the Financial Conduct Authority and of the National Futures Association.
- We understood how the company is complying with those frameworks by making inquiries of management, internal audit and those responsible for legal and compliance matters. We have also performed a review of regulatory correspondence and reviewed minutes of the Board meetings held.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the entity level controls that the company has established to address risks identified by the company, or that otherwise seek to prevent, deter or detect fraud. Where the risk was considered to be higher, including areas impacting management remuneration, we performed audit procedures to address these risks. We also considered performance and incentive plan targets and their potential to influence management to manage earnings. Our procedures also included sampling manual journal entries to verify that the transactions were appropriate and supported by the source documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of senior management and internal audit for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and inquiring about the company's methods of enforcing and monitoring compliance with such policies.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.

*Ernst & Young LLP*

*Kenneth Eglinton (Senior statutory auditor)*  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
31 March 2022

## Statement of comprehensive income

For the year ended 31 December

	Notes	2021 £'000	2020 £'000
Revenue	3	15,915	18,792
Administrative expenses		(15,142)	(21,151)
<b>Operating profit / (loss)</b>	4	<b>773</b>	<b>(2,359)</b>
Other income		897	927
<b>Profit / (loss) before interest and tax</b>		<b>1,670</b>	<b>(1,432)</b>
Interest receivable	5	3	3
Interest payable	6	(79)	(24)
<b>Profit / loss before tax</b>		<b>1,594</b>	<b>(1,453)</b>
Tax	9	(357)	(401)
<b>Profit / (loss) for the year after taxation</b>		<b>1,237</b>	<b>(1,854)</b>

The notes on pages 18 to 39 form part of these financial statements.

## Balance sheet

As at 31 December

	Notes	2021 £'000	Restated 2020 £'000
<b>Non - current</b>			
Tangible fixed assets	10	218	56
Intangible fixed assets	11	3	4
Investments – non current	12	178	178
Trade and other receivables	13	316	642
Deferred tax	18	54	63
		<b>769</b>	<b>943</b>
<b>Current assets</b>			
Trade and other receivables	14	5,114	4,924
Cash and cash equivalents	20	10,259	8,742
		15,373	13,666
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	15	(3,727)	(3,469)
Corporation tax		(199)	(161)
		(3,926)	(3,630)
<b>Net current assets</b>		<b>11,447</b>	<b>10,036</b>
Creditors: amounts falling due after one year	16	(1,400)	(1,400)
<b>Net assets</b>		<b>10,816</b>	<b>9,579</b>
<b>Capital and reserves</b>			
Called up share capital	19	20	20
Share premium account		540	540
Retained earnings		10,256	9,019
<b>Shareholders' funds</b>		<b>10,816</b>	<b>9,579</b>

The 2020 restated balances include a reclassification between Current Assets and Non-Current Assets. Please see Note 28 Restatement of Prior Year Balances.

The notes on pages 18 to 39 form part of these financial statements.

The financial statements of TFS-ICAP Limited, registered number 4025995 were approved and authorised for issue by the Board on 31 March 2022 and were signed on its behalf by:



L Rosenshein  
Director

## Statement of changes in equity

For the year ended 31 December

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2020	20	540	10,873	11,433
Loss for the year	-	-	(1,854)	(1,854)
<b>At 31 December 2020</b>	<b>20</b>	<b>540</b>	<b>9,019</b>	<b>9,579</b>
As at 1 January 2021	20	540	9,019	9,579
Profit for the year	-	-	1,237	1,237
<b>At 31 December 2021</b>	<b>20</b>	<b>540</b>	<b>10,256</b>	<b>10,816</b>

The notes on pages 18 to 39 form part of these financial statements.



## Statement of cash flows

As at 31 December

	Notes	2021 £'000	2020 £'000
<b>Operating activities</b>			
(Loss) / profit before interest and tax		1,670	(1,432)
Adjustments to reconcile (loss)/profit before tax to net cash flows			
- Depreciation	10/11	31	12
Working capital adjustments:			
- Decrease / (increase) in receivables		136	2,078
- Increase / (decrease) in payables		258	(674)
Interest received	5	3	3
Interest paid	6	(79)	(24)
Corporation tax paid		(310)	(528)
<b>Net cash inflow / (outflows) from operating activities</b>		<b>1,709</b>	<b>(565)</b>
<b>Investing activities</b>			
Purchase of tangible / intangible assets		(192)	(63)
<b>Net cash flows from investing activities</b>		<b>(192)</b>	<b>(63)</b>
Net (decrease) / increase in cash and cash equivalents		1,517	(628)
Cash and cash equivalents at 1 January		8,742	9,370
<b>Cash and cash equivalents at 31 December</b>		<b>10,259</b>	<b>8,742</b>

## Notes to the financial statements

For the year ended 31 December 2021

### 1. Authorisation of financial statements

The financial statements of TFS-ICAP Limited for the year ended 31 December 2021 were authorised for issue by the Board on 31 March 2022, and the balance sheet was signed on the Board's behalf by L Rosenshein. The Directors have the power to amend and reissue the financial statements. TFS-ICAP Limited is a private limited company incorporated in the United Kingdom and registered in England and Wales.

### 2. Accounting policies

#### Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

#### Basis of preparation

These financial statements were prepared in accordance with UK adopted International Accounting Standards.

The financial statements have been prepared under the historical cost convention, with the exception of derivative instruments, which are recorded at fair value and in accordance with UK adopted International Accounting Standards.

#### Going concern

The Directors are satisfied that the Company has adequate resources to continue to operate as a going concern for the period up to 31 March 2023 and the financial statements have been prepared on this basis. In reaching this conclusion, they have considered the current and forecast regulatory capital and liquidity positions, as well as budgets and financial models for a period covering 2022 and up to 31 March 2023. In addition, an assessment has been undertaken to determine any negative impact on the Company caused by the current Russian sanctions. The financial impact was deemed immaterial and the sanctions do not pose an issue to the Going Concern of the Company.

The financial statements present information about the Company as an individual undertaking. No consolidated financial statements have been prepared for the TFS-ICAP Limited group as, in the opinion of the directors, the subsidiary undertaking is not material and is not currently operating.

The Company's financial statements are presented in GBP and all values are rounded to the nearest one thousand pounds (£1k), except when otherwise stated.

#### Revenue recognition

IFRS 15 'Revenue from Contracts with Customers' establishes a five-step model to account for revenue derived from contracts with customers, where revenue is recognised as and when 'control' of the goods and services underlying a particular performance obligation is transferred to the customer. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

## TFS-ICAP Limited

### *Agency Transactions (name give up)*

Derivatives broking is transacted on an arranging, execution and give up basis. Revenues earned on an agency basis are recognised on trade date (when the transaction is enforced between the counterparties) as there are no further services rendered to the clients once the deal is done. Revenue is recognised net of any rebates or discounts. Outstanding brokerage is reflected on the balance sheet as trade debtors, as the right to consideration is unconditional as no further performance obligations exist.

### *Data Sales*

Revenues generated and costs incurred from the provision of electronic data to third parties is initially recognised in Tradition Management Services Limited on an accrual basis, and then transferred to the Company's books and records. The revenue continues to be recognised over the duration of the contract for the provision of these services. The data sales revenue is recorded in other income.

### *Disaggregation of revenue from contracts with customers*

The Company derives revenue from contracts with customers as described below. The derivatives broking only covers a single product type; FX and currency options, and the revenue is recognised net of any intercompany transfers of the same revenue type. The core customers of the Company are banks and financial institutions.

<i>Type of Contract:</i>	2021 £'000	2020 £'000
Revenue - currency options	15,915	18,792
Other income	897	927
	<u>16,812</u>	<u>19,719</u>

### **Interest income and expenses**

Interest income and expense are recognised on an accruals basis.

### **Foreign currencies**

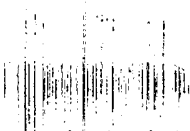
The functional currency of the company is GBP. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are re-translated into sterling at the rates of exchange ruling on the first day of the month in which the transactions take place and are revalued at the year end. Gains and losses on foreign exchange are included in arriving at the profit or loss before taxation.

### **Income taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and



- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

### **Pensions**

The Company operates a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

### **Provision for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

### **Intangible fixed assets**

Intangible fixed assets relate either to internally developed trading platforms (including hardware and software) or externally purchased software. The internally developed trading platforms are held at cost until put to use and are then amortised over three to five years using the straight-line method in line with the amortisation policy of the Company.

Where the intangible fixed asset relates to externally purchased computer software, amortisation is provided on the cost of the computer software in use during the year at rates calculated to write off the asset evenly over its expected useful life. The following amortisation rate has been used:

Computer software	–	3 years
-------------------	---	---------

### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on the cost of all tangible fixed assets in use during the year at rates calculated to write off the cost of each asset evenly over its expected useful life. The following annual depreciation rates are used:

Telephones	-	5 years
Computer equipment	-	3 years
Fixtures and fittings	-	5 years

### **Investments – non-current**

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

## **Impairment**

The carrying values of the fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is provided for in the current period profit and loss account when the carrying value of an asset exceeds its recoverable amount. The estimated recoverable amount is defined as the higher of the net realisable value and value in use. The value in use is determined by reference to estimated future discounted cash flows.

## **Financial instruments**

### ***i) Financial assets***

#### ***Initial recognition and measurement***

The classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments (i) amortised cost, (ii) fair value through other comprehensive income ("FVOCI") and (iii) fair value through profit or loss ("FVTPL").

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the transaction date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets include cash and short-term deposits, trade and other receivables and derivative financial instruments.

Receivables are initially measured at their transaction price if they do not contain a significant financial component. Other financial assets are initially measured at their transaction price if they do not contain a significant financial component. Other financial assets are initially measured at fair value; financial assets not measured at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition of the asset.

#### ***Subsequent measurement***

All recognised financial assets are subsequently measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL;

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The subsequent measurement of financial assets depends on their classification as follows:

#### ***Financial assets at amortised cost***

The amortised cost of a financial asset is the amount at which it is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

Trade and other receivables are measured at amortised cost using the effective interest method minus impairment losses.

*Financial assets at fair value through other comprehensive income*

A financial asset is measured at fair value through other comprehensive income if the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Financial assets at fair value through profit or loss*

A financial asset is measured at fair value through profit or loss, unless it is measured at amortised cost or at fair value through other comprehensive income.

Other equity instruments are measured at fair value through profit or loss as are derivative financial instruments except if the derivative instrument is designated as a hedging instrument.

**ii) Impairment of financial assets**

Under IFRS 9, impairment of a financial asset measured at amortised cost is calculated using the expected credit loss (ECL) model. The ECL allowance is based on the credit losses expected to arise over the life of the asset and are calculated based on either;

- 12 month ECLs: where credit risk on the financial instrument has not increased significantly since initial recognition, loss allowance is measured at an amount equal to 12-month ECL; and
- Lifetime ECLs: where there has been a significant increase in credit risk since initial recognition these are ECLs that result from all expected default events over the expected life of a financial instrument.

*Significant increases in credit risk*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company applies the IFRS 9 simplified approach to measure ECL for all broking receivables by modelling lifetime expected losses on a collective basis. The ECL for personal loans has been calculated under the general approach and the loans have been assessed on an individual basis. The calculated ECL for other financial assets was immaterial and not recognised as at balance sheet date.

ECLs are a probability-weighted estimate of credit losses, Credit losses are measured as the present value of all cash shortfalls, representing the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and recognised in the P&L.

**iii) Financial liabilities**

*Initial recognition and measurement*

Financial liabilities within the scope of IFRS 9 are classified as fair value through profit and loss or amortised cost. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value; financial liabilities not measured at fair value through profit or loss are measured at fair value minus transaction costs directly attributable to the issue of that liability.



#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at amortised cost*

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

#### *Derecognition of financial liabilities*

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

#### **iv) Fair values**

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

#### **v) Derivative financial instruments**

The Company uses derivative financial instruments such as forward currency to hedge its risks associated with foreign currency fluctuations. Hedge accounting is not used by the Company.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, demand deposit and short-term money-market investments with maturities of three months or less from the date of acquisition. Cash equivalents are

assets that are readily convertible into cash. The Company considers cash and cash equivalents as defined herein to constitute its liquid resources.

### **Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, the Company and its subsidiaries may be involved in various litigation, arbitration, and regulatory investigations and proceedings arising in the ordinary course of business.

When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

There are no accounting policies that are deemed critical to the Company's results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement.

### **3. Revenue and segmental reporting**

Revenue represents commission receivable from the broking of currency options in the UK, net of any discount given and VAT, and is recognised as earned when 'control' of the goods and services underlying a particular performance obligation is transferred to the customer.

All revenue recorded in the Company is generated within the UK and relates to the broking of currency options or the provision of data. Refer to Note 2 for the disaggregation of revenue between types of customer contracts.

### **4. Operating profit**

Operating profit is stated after charging:

	2021 £'000	2020 £'000
Loss on foreign exchange	28	7
Depreciation/amortisation	31	12
Regulatory penalty – FCA	-	3,440
<b>Auditors remuneration</b>		
Audit of the company's accounts pursuant to legislation	97	94
Audit related assurance services	16	29
	<u>113</u>	<u>123</u>



**5. Interest receivable**

	2021 £'000	2020 £'000
Interest receivable on cash	3	3
	<u>3</u>	<u>3</u>

**6. Interest payable**

	2021 £'000	2020 £'000
Interest payable on cash	-	1
Interest on subordinated loans (Note 16)	79	23
	<u>79</u>	<u>24</u>

**7. Directors remuneration**

	2021 £'000	2020 £'000
Directors' remuneration	504	262
Pension contribution	-	-
	<u>504</u>	<u>262</u>
Remuneration of highest paid director	425	262
Pension contributions	-	-
	<u>425</u>	<u>262</u>

**8. Staff costs**

	2021 £'000	2020 £'000
Wages and salary costs	8,726	9,810
National Insurance contributions	1,140	1,308
Other pension, life assurance and staff benefits	129	117
	<u>9,995</u>	<u>11,235</u>

The amounts recorded under staff costs include the aggregate employee benefits for key management personnel.

## TFS-ICAP Limited

Average number of persons employed (including Directors):

	2021 No.	2020 No.
Dealing	17	20
Administration	12	11
	<u>29</u>	<u>31</u>

The Company makes contributions at variable rates to eligible employees' pension plans. The Company operates a defined contribution scheme. The pensions cost charge represents contributions payable by the Company to the plans and amounted to £43k (2020: £43k). The amount of outstanding pension contributions at the year-end is £nil (2020: £nil).

## 9. Tax

	Note	2021 £'000	2020 £'000
UK corporation tax charge – current year		347	391
UK corporation tax charge – prior year		1	16
Total corporation tax charge		<u>348</u>	<u>407</u>
Deferred tax movement	18	9	(6)
Total tax charge for the year		<u>357</u>	<u>401</u>

### Reconciliation of the total tax charge:

	2021 £'000	2020 £'000
Profit/(loss) on ordinary activities before tax	1,594	(1,453)
At average rate of corporation tax of 19.0% (2020: 19.0%)	303	(276)
Disallowed expenses	59	691
Adjustment in respect of prior periods – CT	1	16
Adjustment in respect of prior periods – DT	9	(13)
Reduction of corporation tax rate	(15)	(8)
Transfer pricing adjustment	-	(9)
Total tax charge reported in statement of comprehensive Income	<u>357</u>	<u>401</u>

**10. Tangible fixed assets**

	Fixtures & fittings £'000	Computer equipment £'000	Telephones £'000	Total £'000
<b>Cost:</b>				
At 1 January 2020	4	1,366	655	2,025
Additions	-	58	-	58
At 31 December 2020	4	1,424	655	2,083
Additions	2	190	-	192
At 31 December 2021	6	1,614	655	2,275
<b>Accumulated depreciation:</b>				
At 1 January 2020	4	1,359	655	2,018
Charge for year	-	9	-	9
As at 31 December 2020	4	1,368	655	2,027
Charge for year	-	30	-	30
As at 31 December 2021	4	1,398	655	2,057
<b>Net book value:</b>				
As at 31 December 2020	-	56	-	56
As at 31 December 2021	2	216	-	218

**11. Intangible fixed assets**

	Computer software £'000	Total £'000
<b>Cost:</b>		
At 1 January 2020	164	164
Additions	5	5
At 31 December 2020	169	169
At 1 January 2021	169	169
Additions	-	-
At 31 December 2021	169	169
<b>Accumulated amortisation:</b>		
At 1 January 2020	162	162
Charge for the year	3	3
At 31 December 2020	165	165
At 1 January 2021	165	165
Charge for the year	1	1
At 31 December 2021	166	166
<b>Net book value:</b>		
As at 31 December 2020	4	4
As at 31 December 2021	3	3

**12. Investments – non current**

	2021 £'000	2020 £'000
Net book value	178	178

The Company's investment in the subsidiary company comprises an investment in ordinary shares of £1 each as follows:

Company Name	Country of incorporation	%	Activity
TFS-ICAP Currency Options Limited	England	100	Non-trading
Beaufort House			
15 St Botolph Street			
London			
EC3A 7QX			

No consolidated financial statements have been prepared for the TFS-ICAP Limited group as, in the opinion of the Directors; the subsidiary is not material and is not currently operating. It is the intention of the Directors to wind up TFS-ICAP Currency Options Limited in due course. The investment in the subsidiary has been impaired to the net asset value.

**13. Trade and other receivables – non-current**

	2021 £'000	Restated 2020 £'000
Prepayments and accrued income	316	642
	316	642

The 2020 restated balances include a reclassification between Current Assets and Non-Current Assets. Please see Note 28 Restatement of Prior Year Balances.

**14. Trade and other receivables – current**

	2021 £'000	Restated 2020 £'000
Trade debtors	2,637	2,193
Foreign exchange forward contracts	18	65
Other debtors	236	-
Prepayments and accrued income	925	474
Amounts due from related parties	1,298	2,192
	5,114	4,924

The 2020 restated balances include a reclassification between Current Assets and Non-Current Assets. Please see Note 28 Restatement of Prior Year Balances.

**15. Creditors: amounts falling due within one year**

	2021 £'000	2020 £'000
Accruals and other creditors	2,505	2,750
Foreign exchange forward contracts	8	-
Other taxation and social security	130	194
Amounts due to related parties	1,084	525
	<u>3,727</u>	<u>3,469</u>

**16. Creditors: amounts falling due after one year**

	2021 £'000	2020 £'000
Subordinated debt	1,400	1,400
	<u>1,400</u>	<u>1,400</u>

In September 2020, two subordinated loan agreements were signed with Volbroker.com Ltd & TFI Holdings Ltd for a principal amount of £700,000 each. These have a repayment date of 15<sup>th</sup> September 2030. Interest is accrued on the loan with an annual compounding rate of 5.5% and is payable to the lender at the end of each quarter (Note 6).

**17. Derivative financial instruments**

The Company uses derivative financial instruments such as forward and swap currency contracts to hedge its risks associated with foreign currency fluctuations. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The forward contracts are recorded at fair value. The current year contracts within assets mature within one month (£4k), one to three months (£12k) and between three to six months (£2k) and the contracts recorded in liabilities mature within one month (£8k).

	2021 £'000	2020 £'000
<b>Current financial assets</b>		
Forward/swap foreign currency contracts	18	65
	<u>18</u>	<u>65</u>
<b>Current financial liabilities</b>		
Forward/swap foreign currency contracts	8	-
	<u>8</u>	<u>-</u>

**18. Deferred tax**

	2021 £'000	2020 £'000
Depreciation in excess of capital allowances	54	63
Other short term temporary differences	-	-
Asset at the end of the year	<u>54</u>	<u>63</u>

	2021 £'000	2020 £'000
Asset at the start of the year	63	56
(Charge) for the year	(15)	(14)
Prior year adjustment	(9)	13
(Increase) / reduction in corporation tax rate	15	8
Asset at the end of the year	<u>54</u>	<u>63</u>

Deferred tax assets in 2020 were measured at 19.00% representing the rate that was substantively enacted at that reporting date. On 3 March 2021 the UK government announced that the UK corporate rate will increase to 25% from 1 April 2023 and the relevant legislation was enacted on 10 June 2021. The deferred tax asset was re-measured in the year at 25% which resulted in an increase in the asset of £13k.

## 19. Called up share capital

	2021 £	2020 £
<i>Authorised:</i>		
10,000 "H" ordinary shares of £1 each	10,000	10,000
9,607 "V" ordinary shares of £1 each	9,607	9,607
2,230,000 redeemable shares of £1 each	<u>2,230,000</u>	<u>2,230,000</u>
	<u>2,249,607</u>	<u>2,249,607</u>

<i>Issued and fully paid:</i>	2021 No.	2020 £	2021 No.	2020 £
"H" ordinary shares of £1 each	10,000	10,000	10,000	10,000
"V" ordinary shares of £1 each	<u>9,607</u>	<u>9,607</u>	<u>9,607</u>	<u>9,607</u>
	<u>19,607</u>	<u>19,607</u>	<u>19,607</u>	<u>19,607</u>

The "H" and "V" ordinary shares rank pari passu.

## 20. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2021 £'000	2020 £'000
Cash at banks and on hand	807	660
Short term deposits	<u>9,452</u>	<u>8,082</u>
Cash and cash equivalents	<u>10,259</u>	<u>8,742</u>

## 21. Related party transactions

During the year the Company entered into the following transactions in the ordinary course of business with the following related parties:

	2021 £'000	2020 £'000
<i>Commissions received from:</i>		
TFS-ICAP joint venture entities	1,379	1,351
Viel et Compagnie Finance SE group entities	154	104
	<u>1,533</u>	<u>1,455</u>
<i>Purchases from:</i>		
TFS-ICAP joint venture entities	79	-
Viel et Compagnie Finance SE group entities	3,038	3,332
	<u>3,117</u>	<u>3,332</u>
<i>Amounts owed to:</i>		
TFS-ICAP joint venture entities	367	439
Volbroker.com Ltd – subordinated debt	700	700
Viel et Compagnie Finance SE group entities	717	86
TFS-ICAP Holdings Ltd – subordinated debt	700	700
	<u>2,484</u>	<u>1,925</u>
<i>Amounts due from:</i>		
TFS-ICAP joint venture entities	21	314
Viel et Compagnie Finance SE group entities	1,277	1,878
	<u>1,298</u>	<u>2,192</u>

The Company is a joint venture between TFS SA, Nex International Limited and Volbroker.com Ltd. These entities exercise combined control over TFS-ICAP Limited. Various entities within the TFS SA and Nex International Limited sub-groups are considered to be subject to common control and hence deemed to be related parties.

TFS-ICAP Limited joint venture entities include TFS-ICAP Currency Options Limited, TFS GmbH Frankfurt, TFS-ICAP LLC New York, TFS Japan Limited, TFS-ICAP Copenhagen, Volbroker.com Ltd. and TFS Currencies Pte Limited.

Viel et Compagnie Finance SE group entities include Tradition (UK) Limited, Tradition Government Bond Brokers and Derivative Brokers (Pty) Limited Johannesburg, TFS Australia Pty Ltd, Tradition Asia Pacific Pte Ltd, Tradition America Holdings LLC, Tradition Management Services Limited, TFS Derivatives Limited, Tradition London Clearing Ltd, TFS-ICAP Holdings Ltd and Tradition Financial Services Limited.

## 22. Analysis of financial assets and liabilities by measurement basis

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the balance sheet by the class of financial instrument to which they are assigned, and therefore by the measurement basis.

## TFS-ICAP Limited

	Financial assets and liabilities at amortised cost £000	FVTPL £000	Total £000
<b>2021</b>			
<b>Assets</b>			
Trade debtors	2,637	-	2,637
Cash at bank and in hand	10,259	-	10,259
FX forward contract	-	18	18
Amounts due from related parties	1,298	-	1,298
Total financial assets	14,194	18	14,212
Total non-financial assets		-	1,930
<b>Total assets</b>			<b>16,142</b>
<b>Liabilities</b>			
Trade creditors	140	-	140
Other creditors	2,495	-	2,495
FX forward contract	-	8	8
Amounts due to related parties	1,084	-	1,084
Subordinated loans	1,400	-	1,400
Total financial liabilities	5,119	8	5,127
Total non-financial liabilities			199
<b>Total liabilities</b>			<b>5,326</b>
<b>2020</b>			
<b>Assets</b>			
Trade debtors	2,193	-	2,193
Cash at bank and in hand	8,742	-	8,742
FX forward contract	-	65	65
Amounts due from related parties	2,192	-	2,192
Total financial assets	13,127	65	13,192
Total non-financial assets			1,417
<b>Total assets</b>			<b>14,609</b>
<b>Liabilities</b>			
Trade creditors	39	-	39
Other creditors	2,905	-	2,905
FX forward contract	-	-	-
Amounts due to related parties	525	-	525
Subordinated loans	1,400	-	1,400
Total financial liabilities	5,869	-	4,869
Total non-financial liabilities			161
<b>Total liabilities</b>			<b>5,030</b>



## 23. Fair value of financial assets and liabilities

Forward currency exchange contracts fair value was determined using quoted forward exchange rates matching the maturities of the contracts.

There are no material differences between the carrying value and the fair value of financial assets and liabilities at amortised cost as at 31 December 2021 and 31 December 2020.

### Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

As at 31 December, the Company held the following financial instruments at fair value:

	Total £000	Level 1 £000	Level 2 £000	Level 3 £000
<b>2021</b>				
<b>Assets measured at fair value</b>				
Financial liabilities at fair value through profit or loss				
FX forward contracts	18	-	18	-
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value through profit or loss				
FX forward contracts	8	-	8	-
<b>2020</b>				
<b>Assets measured at fair value</b>				
Financial liabilities at fair value through profit or loss				
FX forward contracts	65	-	65	-
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value through profit or loss				
FX forward contracts	-	-	-	-

## 24. Ultimate control

As described in note 21, the Company constitutes a joint venture between TFS SA (ultimate parent Compagnie Financière Tradition (CFT), Nex International Limited (ultimate parent CME Group Inc) and Volbroker.com Ltd. Accordingly, these entities exercise combined control over the Company.



## 25. Financial risk management policies and objectives

The Company has implemented a risk management governance structure based on the industry-standard three lines of defence that segregates risk management (first line of defence) from risk oversight (second line of defence) and risk assurance (third line of defence).

The Company is primarily exposed to the following risks:

- Operational risk;
- Credit risk;
- Market risk;
- Interest rate risk;
- Liquidity risk;
- Legal and reputational risk;
- Conduct risk.

### Operational risk

The Company is exposed to operational risk losses in its day-to-day business from penalties, differences and errors in broking activities. Differences arise when transactions arranged by the Company between two counterparties are not completed at the original price. In such circumstances the Company may offer to compensate a counterparty for some or all of the difference between the original price and the transacted price. To manage this risk it is Company policy to complete transactions as quickly as possible at the next best available prices and all transactions should be completed by the end of each day. The Company is also exposed to the loss of key brokers, which historically has been experienced very rarely. In general, losses due to operational risk have been low in both volume and magnitude by ensuring that controls are adequate and effective to prevent future loss occurrence.

### Credit risk

Credit and counterparty risk is the risk of financial loss in the event that a customer or counterparty to a financial instrument does not fulfil its obligations. Credit default risk potentially impacts brokerage receivable.

The Company is an interdealer broker serving predominantly banks and financial institutions with high credit ratings. The broking business consists of facilitating contact between two counterparties to a trade, and receiving a commission for services rendered. The Company's exposure to credit risk is therefore limited to its own claims in connection with these activities. The quality of counterparties is evaluated locally and commission receivables are closely monitored. Where recovery, of all or part of amounts due is in doubt, a provision is set up so that the Statement of Financial Position fairly reflects current expected credit losses. Oversight of the provision process is undertaken through the Credit Control Committee which also tracks the month to month credit and collections performance of its clients. The maximum credit risk exposure relating to financial assets is represented by the carrying value of financial assets as at balance sheet date.

# TFS-ICAP Limited

The following tables show the credit quality of cash balances and trade receivables:

	2021 £'000	2020 £'000
<b>Cash credit ratings (Standard &amp; Poor's ratings)</b>		
BBB+		8,742
A	10,259	-
	<u>10,259</u>	<u>8,742</u>

	2021 £'000	2020 £'000
<b>Carrying value of trade receivables (Standard &amp; Poor's ratings)</b>		
AA-	22	33
A+	1,764	1,119
A	168	334
A-	191	151
BBB+	102	242
BBB	2	8
BBB-	35	19
BB	-	-
BB-	7	1
Non Rated	346	287
	<u>2,637</u>	<u>2,194</u>

## Loss allowance

The Company applies the IFRS 9 simplified approach to measuring ECL for all broking receivables by modelling lifetime expected losses on a collective basis. The ECL for loans given to employees has been calculated under the general approach and the loans have been assessed on an individual basis. The calculated ECL for other financial assets was immaterial and not recognised as at balance sheet date. The closing loss allowances for personal loans as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2021 £'000	2020 £'000
<b>Loss allowance on personal loans</b>		
As at 1 January	-	(100)
Increase in expected credit losses	-	-
Unused amount reversed	-	4
Write-offs	-	96
At 31 December	<u>-</u>	<u>-</u>

The closing loss allowances for brokerage receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	2021 £'000	2020 £'000
<b>Loss allowance on broking receivables</b>		
As at 1 January	(5)	(34)
Increase in expected credit losses	-	-
Unused amount reversed	-	12
Write-offs	-	17
At 31 December	(5)	(5)

#### Market risk

The Company's revenues are predominantly in GBP, EUR and USD whilst its cost base is predominantly in GBP. This exposes the Company to foreign currency risk where the settlement of transactions is made in a currency other than GBP. It is Company policy to monitor foreign currency bank balances daily and, in order to minimise such risk, sells down surplus foreign currency balances on a regular basis. Moreover the risk management function, applies a hedging policy to proactively reduce foreign currency risk across the balance sheet.

The table below indicates the extent to which the Company was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities. The analysis is performed for a reasonable possible movement of the USD and EUR against GBP, with all other variables held constant, on the Statement of Comprehensive Income and other components of equity.

	Movement in currency rates %	Effect on net profit £000	Effect on equity £000
<b>2021</b>			
<b>Currency</b>			
EUR	5%	3	-
USD	5%	(140)	-
EUR	(5%)	(3)	-
USD	(5%)	155	-
<b>2020</b>			
<b>Currency</b>			
EUR	5%	6	-
USD	5%	(137)	-
EUR	(5%)	(7)	-
USD	(5%)	151	-

#### Interest rate risk

The Company's exposure to interest rate risk in the banking book is very limited since it does not conduct classical banking activity. The Company's exposure to interest rate risk arises from the possibility that changes in interest rates will affect the interest income or the net value of equity. However, the Company does not carry large interest bearing assets and/or liabilities on its balance sheet. Where interest rate bearing assets and liabilities exist, they are typically of short maturity (less than 3 months) and consequently this risk is marginal.

**Liquidity risk**

Liquidity risk is the current or prospective risk arising from the inability to meet obligations as they fall due without incurring unacceptable losses. As the Company does not conduct matched principal business, the main type of liquidity risk that it is exposed to is balance sheet or working capital liquidity being the need to finance working capital requirements.

The Board is responsible for the Company's liquidity management including the establishment and maintenance of systems and controls over the recording and disbursement of funds in accordance with Board approved bank mandates and the segregation of duties between the movement of funds and the recording thereof.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2021 and 2020

	On demand	Less than 3 months	3 to 12 months	Over 5 years	Total
Year ended 31 December 2021	£'000	£'000	£'000	£'000	£'000
<b>Non-derivative financial liabilities</b>					
Interest bearing loans and borrowings				1,400	1,400
Trade and other creditors	515	2,314	890	-	3,719
<b>Derivative financial liabilities</b>					
Foreign exchange forward contracts	-	8	-	-	8
	515	2,322	890	1,400	5,127
	On demand	Less than 3 months	3 to 12 months	Over 5 years	Total
Year ended 31 December 2020	£'000	£'000	£'000	£'000	£'000
<b>Non-derivative financial liabilities</b>					
Interest bearing loans and borrowings				1,400	1,400
Trade and other creditors	409	2,589	471	-	3,469
<b>Derivative financial liabilities</b>					
Foreign exchange forward contracts	-	-	-	-	-
	409	2,589	471	1,400	4,869

With respect to balance sheet liquidity, non-trading transactions do not generate significant liquidity risk exposures and are managed through regular cash flow forecasts. In order to maximise its liquidity position, the Company actively works to minimise the aged debtors, which are formally monitored through the Credit Control Committee, with a focus on reducing debtor days.

Pillar 3 of Basel II is related to market discipline and aims to make firms more transparent by requiring them to publish specific, prescribed details of their risks, capital and risk management under the Basel II framework.

### **Maturity analysis for financial assets and liabilities**

All financial assets and financial liabilities have contractual maturities of less than 12 months, except for the subordinated debt which has a maturity of over 5 years as at the Reporting date.

### **Legal and reputational risk**

From time to time the Company may be engaged in litigation in relation to a variety of matters, and it is required to provide information to regulators and other government agencies as part of informal and formal enquiries or market reviews. The Company's reputation may also be damaged by any involvement or the involvement of any of its employees or former employees in any regulatory investigation and by any allegations or findings, even where the associated fine or penalty is not material.

### **Conduct risk**

The FCA has outlined its approach to managing conduct risk. Conduct risk relates to the risk that detriment is caused to the Company, its customers, its counterparties or the market, as a result of inappropriate execution of business activities. The Company takes a holistic approach to assessing conduct risks in order to ensure that these are being managed in accordance with the FCA's strategic objectives of protecting clients, ensuring markets function effectively and promoting competition. The Company will assess key risks across the business, identifying key controls and ensuring that the Board is receiving the right information to enable it to challenge effectively the management of such risks by the business.

## **26. Capital management**

The responsibility for the Company's capital planning lies with the Board. Any changes to capital are proposed to the Board for the Directors' approval.

Capital is generated from shareholder funds. Shareholder funds are in the form of share capital and retained earnings

## **27. Events after the balance sheet date**

In the build-up to the current crisis in Ukraine, Western allies warned Russia that any breach of Ukraine's territorial integrity and sovereignty would be met with unprecedented economic measures. On 24 February 2022, Russian military forces crossed the border into Ukraine and are currently conducting a full-scale assault on the country. The UK, EU, US, and other allies, have responded with significant coordinated sanctions, targeting Russia's financial sector, strategic sectors of the economy such as defence and aerospace, and individuals close to the Putin regime.

The products, activities and counterparties related to these events represent a very limited part of the Company's activities. In addition, as of 31 December 2021, the Group's exposure to credit risk on receivables from Russian counterparties is marginal.

The situation is constantly changing; however, there were no material adverse effects on the Company's financial statements as of 31 March 2022.

## 28. Restatement of prior year balances

The Company has reclassified that portion of its prepayments to non-current assets where the prepayment will amortise after more than one year from the balance sheet date. These were previously incorrectly classified as current assets. To reflect the correct classification, the 2020 comparatives in these financial statements have been restated as follows:

- Increase in non-current assets: prepayments and accrued income after one year of £642k;
- Decrease in current assets: prepayments and accrued income within one year of £642k.

The following table summarises the impacts on the Company's financial statements:

Statement	Classification	2020 Signed £'000	PY Adj £'000	2020 Restated £'000
Balance Sheet	Current Assets: Trade and other receivables	5,566	(642)	4,924
Balance Sheet	Non-Current Assets: Trade and other receivables	-	642	642

## 29. Country by country reporting

HM Treasury has adopted the requirements set out under the Capital Requirements Directive IV (CRD IV) and subsequently issued the Capital Requirements Country-by-Country Reporting Regulations 2013, effective 1 January 2014. The legislation requires the Company to publish certain additional information to that already contained within this Annual Report.

	As at Dec 2021	As at Dec 2020
Entity	TFS-ICAP Limited	TFS-ICAP Limited
Nature of activities	Inter-Dealer Broker	Inter-Dealer Broker
Geographical location	UK	UK
Currency	£'000's	£'000's
Turnover	15,915	18,792
Employees	29	31
Profit/(Loss) before tax	1,594	(1,453)
Tax paid	(310)	(528)

1. The UK legal entities listed above are regulated by the Financial Conduct Authority (FCA) and subject to the requirement of CRD IV Article 89.