VELOCITY TRADE INTERNATIONAL LIMITED

Company Registration Number: 06813279

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Contents

Strategic report

Business Review

Velocity Trade International Limited is a FCA regulated broker. The business has performed well in the year. The market continued to feel the impact of Brexit and the ongoing negotiations on the UK leaving the EU, the continued global health pandemic of the corona virus and more recently the conflict in Ukraine.

The conflict in Ukraine has had a massive impact on both the geopolitical and financial market landscape and will continue to do so for the foreseeable future. The human impact of the Ukraine conflict is tragic and as yet unquantifiable. Ukraine and Russia are major global suppliers of wheat, gas, oil, fertilizers, and other important commodities. It has led to significant fluctuations in supply and price and will further increase debt burdens, limit growth prospects, and disrupt global supply and demand.

Corona has and will continue to have an impact on all aspects of life. Last year it had a horrendous impact and affected everyone in this country including members of our team. The roll out of the vaccine program in the UK has delivered significant results to date and we all hope that this continues to enable us to head back to a more normal way of life. The business currently is operating with a flexible location policy with the ability for all members of staff to work from home on certain days

Brexit also continues to play a role in the uncertainty for this business. The financial services sector was largely side-lined during the final moments of Brexit and we continue to have a lack of clarity surrounding 'equivalence' and what that might mean. This will no doubt take a long time to get to any kind of clarity and therefore the business will have to continue to navigate its way carefully during this period. From a group perspective Velocity Trade is well placed with its fully regulated fellow subsidiary based in Amsterdam.

The impact of the current financial climate, especially the impact on inflation, interest rates, cost of living, the levels of debt due to the virus, and the increased regulation means a challenging trading environment. The prime brokers and main liquidity providers in the industry are constantly assessing their business models. The liquidity in the FX market continues to change with more non-bank names playing an increasingly significant role.

These are the major principal risks and uncertainties facing the business at present (refer note 15).

The business has performed well in the year given the volatility; revenues have increased again year on year showing the continued growth of the business lines resulting in increased profits (£2.7m v £1.2m last year).

The business has continued to invest in improving its operational systems and will continue to recruit experienced professionals and as ever, the continued recruitment and retention of these individuals remains key to the success of the business. The importance of experienced professionals in the business continues to reap benefits in these unusual times. The Velocity Group's institutional shareholder base continues to be an asset to the business.

Key Performance Indicators

The main Key Performance Indicators relate to revenue (increased year on year) and profitability (increased year on year) of the business. Another Key Performance indicator is the retention of key staff and the business is well placed going forward. Other indicators include the volume of foreign exchange transacted and the level of client funds, both of which increased in the year.

Future developments

The business will continue to increase and improve its capabilities in terms of products traded and its electronic trading solutions. This expansion of the product and platform offerings will enable the business to both increase trading volumes within its existing client base and also attract new clients. The global businesses continue to integrate between offices and streamline processes leading to more efficiency and enhanced profitability.

The directors believe that the business will continue to face changes in regulation which will impact the landscape of the industry. The directors will remain vigilant in monitoring these changes. At this time but the business is well positioned to take advantage of the changing shape of the industry, leveraging its global footprint and product capability.

S172(1) Statement of the Companies Act 2006

Under S172 the directors must act in a way that they consider, in good faith, would be most likely to promote the success of the company. The directors are very aware of this requirement and in fulfilling this duty they consider the following stakeholders:

Shareholders

The firm is a privately held company, its immediate and ultimate parent is Velocity Trade Holdings Limited which is a company incorporated in Canada. The Directors have regular contact with the group directors which includes representatives from the institutional shareholders ensuring that the business strategy of the firm is aligned with strategic objectives of the group.

Clients

The firm has a varied customer base and has always been a client focused organisation. Treating clients fairly is ingrained in the firm. The directors have organised teams and functions to ensure compliance with all relevant regulations and provide a reliable and trustworthy product and service to clients.

Employees

The firm's employees are integral to the success of the business. The continued recruitment, development and retention of the firm's employees remains key to the success of the business. The firm has a structure of management and staff meetings held on a regular basis to provide information and decision-making processes and enable the Directors to interact freely with employees. The firm offers rewards and benefits to assist employees with their career development, well being and future planning.

Suppliers and Business Relationships

The firm has a number of key supplier and business relationships which we work with closely to ensure the smooth operation of the business. These key relationships are reviewed periodically to ensure that the technology, product and service offerings are beneficial to the firm and its clients.

Conduct

The firm provides regular training to all staff in all aspects of its operations including anti money laundering, anti-bribery and corruption, treating customers fairly and other regulatory requirements. The firm promotes high standards and its policies ensure all staff and directors act fairly within the business.

Community and the environment

The firm and group sponsor and supports various different organisations and will continue to be aware of its carbon footprint and measures to reduce this footprint.

By order of the board

Tim Pasco
Director

28th July 2022

Directors' report

The directors present their directors' report and financial statements of Velocity Trade International Limited (the "Company") for the year ended 31 March 2022.

Principal activities

The principal activity of the company was that of a specialist foreign exchange provider to corporate and institutional clients. Velocity Trade International Limited is authorised and regulated by the Financial Conduct Authority (FRN 497263).

Results and dividends

The profit for the year after taxation amounted to £2.8m (2021: £1.7m). The directors have not recommended a dividend for the year ended 31 March 2022 (2021: £nil).

Risk management

The Company's risk management policies are set out in note 15 to the financial statements.

Directors

The following persons served as directors of the Company during the period and to the date of this report. None of the directors had any interest in the share capital of the Company:

Mr G Morgan
Mr S Grayson
Mr S Law
Mr T Pasco

The Company has arranged qualifying third party insurance on behalf of the Directors. This was in place during the financial year and at the date of this report.

Employees

The Company's employees are a key asset to the business.

Political and Charitable contributions

The Company made no political or charitable donations or incurred any political or charitable expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Grant Thornton UK LLP has expressed its willingness to continue in office.

By order of the Board

Tim Pasco
Director
28th July 2022

2nd Floor, Queens House
8-9 Queen Street
London EC4N 1SP

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 elected to prepare the financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2016.

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 and 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 judgments and accounting estimates that are reasonable and prudent;

• State whether international accounting standards in conformity with the requirements of the Companies Act 2016 have been followed, subject to any material departures disclosed and explained in the financial statements; and

• 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Velocity Trade International Limited

Opinion

We have audited the financial statements of Velocity Trade International Limited (the 'company') for the year ended 31 March 2022, which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows, and notes to the financial statements, 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 state of the company's affairs as at 31 March 2022 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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 of at least twelve months from when the financial statements are authorised for issue.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and financial statements, 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 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 the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 the directors' report.

Matters on which we are required to report by exception

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 for the financial statements

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. This description forms part of our auditor's report.

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 material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and management. We determined that the most significant laws and regulations were UK-adopted international accounting standards and the Companies Act 2006;
- We enquired of the directors and management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the minutes of the Company's board meetings;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
    - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
    - testing journal entries, including manual journal entries processed at the year-end for financial statements preparation and journals with unusual account combinations; and
    - challenging the assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
    - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
    - knowledge of the industry in which the Company operates; and
    - understanding of the legal and regulatory frameworks applicable to the Company.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

Grant Thornton UK LLP

Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
28th July 2022

Statement of comprehensive income
For year ended 31 March 2022

	Notes	2022 £'000s	2021 £'000s
Trading Income	2	225,603	224,602
Administrative expenses	3	(222,020)	(222,362)
Operating profit		3,583	2,240
Interest payable and similar charges		(148)	(85)
Profit on ordinary activities before taxation		3,435	2,155
Tax on profit on ordinary activities	7	(666)	(436)
Profit for the year		2,769	1,719
Dividend		-	-
Total comprehensive profit for the year attributable to equity holders of the Company		2,769	1,719

The notes on pages 15 to 23 form part of these financial statements.

Statement of financial position
As at 31 March 2022

	Notes	2022 £'000s	2021 £'000s
Non-current assets			
Property, plant and equipment	8	286	86
Right of use lease asset		697	65
Investment in subsidiary undertakings	10	-	-
Total non-current assets		983	151
Current assets			
Trade and other receivables	11	10,126	8,319
Derivative financial instruments	15	76,341	72,161
Cash and cash equivalents	6	105,998	70,097
Total current assets		192,465	150,577
Total assets		193,448	150,728
Current liabilities			
Trade and other payables	13	(107,491)	(72,389)
Derivative financial instruments	12,13,15	(75,919)	(71,721)
Total current liabilities		(183,410)	(144,110)
Long term liabilities			
Long term lease liabilities	13	(651)	-
Total liabilities		(184,061)	(144,110)
Net assets		9,387	6,618
Equity and reserves			
Called up share capital	14	1,836	1,836
Profit and loss account		7,551	4,782
Total equity and reserves		9,387	6,618

The notes on pages 15 to 23 form part of these financial statements.

These financial statements were approved and authorised for issue by the directors on 28th July 2022 and are signed on their behalf by:

Tim Pasco
Director
Company registered number: 06813279

Statement of changes in equity
As at 31 March 2022

	Share capital £'000s	Profit & loss £'000s	Total £'000s
Balance at 31 March 2020	1,836	3,063	4,899
Profit for the year	-	1,719	1,719
Balance at 31 March 2021	1,836	4,782	6,618
Profit for the year	-	2,769	2,769
Balance attributable to equity holders as at 31 March 2022	1,836	7,551	9,387

The notes on pages 15 to 23 form part of these financial statements.

Statement of cash flows
For year ended 31 March 2022

	Notes	2022 £'000s	2021 £'000s
Cash flows from operating activities			
Profit before tax		3,435	2,155
Adjustments for:			
Depreciation on fixed assets	8	113	48
Depreciation on Right of Use Asset		129	129
Decrease/(Increase) in trade and other receivables	11	(1,807)	407
(Increase)/Decrease in derivative financial instruments	12	(4,180)	36,087
Increase/(Decrease) in trade and other payables	12, 13	39,952	(19,519)
Income taxes paid		(655)	(322)
Bank interest		148	85
Net cash from operating activities		**37,135**	**19,070**
Cash flows from investing activities			
Purchase of fixed assets	8	(376)	(42)
Purchase of Right of Use Asset		(760)	-
Disposal of Right of Use Asset		63	-
Net cash from investing activities		**(1,073)**	**(42)**
Bank interest		(148)	(85)
Right of Use Asset lease interest		(13)	-
Cashflows from financing activities		**(161)**	**(85)**
Net increase in cash and cash equivalents		35,901	18,943
Cash and cash equivalents at start of the period		70,097	51,154
Cash and cash equivalents at end of period		**105,998**	**70,097**

The notes on pages 15 to 23 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

Velocity Trade International Limited (the "Company") is a company incorporated and domiciled in the UK.

The company's financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2016.

The Company's functional and presentational currency is sterling ("£") and the results are rounded to £'000s.

Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with applicable accounting standards and under the historical cost accounting rules. The accounting policies set out below have, unless otherwise stated, been applied consistently in these financial statements.

New Standards and interpretations not yet adopted

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company. The new standards, interpretations and amendments are not expected to have a material impact on the Company's financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position and management of various risks are set out in Note 15 on page 20. In addition, note 15 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its market risk, credit risk and liquidity risk.

The directors have assessed all factors which they believe affect the Company's going concern and have concluded that there is no reason to believe that a significant uncertainty exists that may cast doubt about the ability of the Company to continue as a going concern for the next 12 months from the date of approval of the Director's report and financial statements.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Property plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated losses.
Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant, and equipment.

Computer equipment and software	Three years
Leasehold Improvements	Three years
Equipment, Fixtures and Fittings	Five years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Property, plant and equipment is reviewed for impairment, in accordance with the general principles and methodology set out in IAS 36 ("Impairment of Assets") and the relevant implementation guidance, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Property, plant and equipment, which is considered to be impaired, is carried at its recoverable amount. Gains and losses from the sale of property, plant and equipment are recognised in the Statement of Comprehensive Income.

Notes to the financial statements – continued

1. Accounting policies - continued

Leasing commitments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

IFRS16 introduced a new definition for leases and a single on-balance sheet accounting model for lessees. As a result the Company has recognised a right-of-use asset, representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments for certain assets for the Company is a lessee.

Investments in Subsidiaries

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business is measured as the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed. The value of investments is reviewed for impairment at least annually.

Net Trading Revenue

The difference between the rates offered to clients and the rates obtained through the Company's liquidity providers represent net revenue for the period. Revenue is recognised as gross when the transaction involves physical delivery. Such revenue is recognised at the time that a back-to-back transaction is initiated with the liquidity providers as this is when costs are incurred and collectability is reasonably assured. Commissions charged to clients based on amounts per million transacted or as a gross fee represent revenue for the period. Such revenue is recognised at the time the commission is charged to the client.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Taxation

Income tax expense consists of current tax and deferred tax. It is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity. Current tax is the expected tax payable on the taxable income for the year, and any adjustments to the tax payable in respect of previous years.

Deferred tax is the tax that will be paid or for which relief will be obtained in the future resulting from the different period that certain items are recognised for financial reporting and tax purposes. It is provided for temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are provided based on the expected manner of realisation or settlement using tax rates (and laws) enacted at the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current assets against current tax liabilities.

Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. During the period, management made the following judgments:

- No provision is required for the debts that are overdue

Notes to the financial statements - continued

2. Analysis of revenue

By activity

	2022 £'000s	2021 £'000s
Principal trading & commissions – net	27,091	25,232
Principal trading - gross	198,512	199,370
	225,603	224,602

3. Administration expenses

This includes

	2022 £'000s	2021 £'000s
Depreciation (note 8)	241	177
Operating lease costs	108	108
Staff costs (note 4)	4,910	4,992
Auditors' remuneration:		
Audit of these financial statements	61	55
Other assurance services pursuant to such legislation	35	35

4. Staff costs

	2022 £'000s	2021 £'000s
Salaries and wages	1,622	1,801
Commissions and bonuses	2,449	2,496
Social security costs	687	562
Pension costs	152	133
	4,910	4,992
Average staff numbers in the year (Full Time Equivalents)	37	35

5. Directors' emoluments

	2022 £'000s	2021 £'000s
Directors' emoluments	654	745

The highest paid director received £248,000 in the year (2021: £274,000). The emoluments of the directors not remunerated by the Company for their services as directors were borne by fellow group undertakings and by the Company as detailed in Note 16 on page 22.

6. Cash and cash equivalents

	2022 £'000s	2021 £'000s
Cash at bank and financial institutions	105,998	70,097

Notes to the financial statements - continued

The cash balances include £12,939,000 (2021: £6,435,000) held at financial institutions. Included in the cash at bank is an amount of £6,000 (2021: nil) that is currently sanctioned.

7. Taxation

	2022 £'000s	2021 £'000s
Current tax		
- UK corporation tax charge for the year at 19% (2020: 19%)	666	436
Total current tax	666	436

The current corporation tax is set out in following reconciliation:

	2022 £'000s	2021 £'000s
Profit on ordinary activities before tax	3,435	2,155
Tax charge on profit on ordinary activities at standard rate 19% (2019: 19%)	653	409
Factors affecting tax charge:	13	27
Current corporation tax charge for the year	666	436

8. Property, Plant and Equipment

	Computer Equipment & Software £'000s	Equipment Fixtures & Fittings £'000s	Leasehold Improvements £'000s	Right of Use Asset £'000s	Total £'000s
Cost:					
At 31 March 2021	280	31	63	322	696
Additions	112	1	263	761	1,136
Disposals	-	-	(63)	-	(63)
At 31 March 2022	392	32	263	1,083	1,770
Depreciation:					
At 31 March 2021	(195)	(30)	(63)	(257)	(545)
Charge for the period	(68)	(1)	(44)	(129)	(241)
Disposals	-	-	-	-	-
At 31 March 2022	(263)	(31)	(107)	(385)	(787)
Net book value:					
At 31 March 2021	85	1	-	65	151
At 31 March 2022	129	1	156	697	983

Notes to the financial statements - continued

9. Leasing Commitments

The Company has minimum yearly commitments under non-cancellable leases as follows:

Finance lease commitments which expire:	2022 £'000s	2021 £'000s
Within one year	168	57
In two to five years	500	-
	668	57

10. Investments in subsidiary undertakings

	2022 £'000s	2021 £'000s
At 31 March 2021	-	-
At 31 March 2022	-	-

The value of investments is reviewed for impairment at least annually.

Subsidiary undertakings

The principal undertakings in which the company has a 20% interest or more are as follows

Subsidiary Undertaking	Country of Incorporation	Proportion of voting rights and ordinary share capital held	Nature of Business	Value of Investment
VTI Capital Limited	United Kingdom	100%	Dormant	£100

11. Trade and other receivables

	2022 £'000s	2021 £'000s
Trade debtors	262	341
Due from group undertakings (note 16)	9,864	7,978
	10,126	8,319

12. Derivative financial instruments

In the ordinary course of business, the Company enters into foreign currency forward contracts with clients. The Company hedges the market risk on these forward contracts by entering into offsetting forward contracts with its liquidity providers which includes hedging with a prime broker as agent of Velocity Foreign Exchange Services Limited. Notional amounts of the forward contracts are used to calculate the cash flows to be exchanged. They are a common measure of the volume of outstanding transactions but do not represent the amounts to be exchanged or credit or market risk exposures. Notional amounts are not included in the statements of financial position. The approximate notional value of the Company's forward contracts with liquidity providers, which includes hedging with a prime broker as agent of Velocity Foreign Exchange Services Limited (refer note 15) is £73,333,000 (March 2021: £98,855,000) economically offset by matching forward contracts with notional values of £74,111,000 (March 2021: £99,295,000) and mature within one year.

Notes to the financial statements - continued

13. Trade and other payables

	2022 £'000s	2021 £'000s
Trade creditors	3,326	2,625
Due to clients	98,229	63,755
Due to group undertakings	4,290	5,004
Due to group undertaking – relating to foreign exchange forward contracts	75,919	71,721
Lease liability	121	57
Accruals and other creditors	1,227	699
NI/PAYE	298	249
	183,410	144,100
Long term liability		
Long term lease liability	652	-
Total Liabilities	184,062	144,100

Included within payables are liabilities identified in respect of either initial margin or client money received from clients. These are only included where it has been determined that the cash received represents an asset of the Company as it has been placed as collateral against client trading positions. The Company held £12,299,000 of client money as at 31 March 2022 (2021: £23,135,000), of which £1,972,000 as at 31 March 2022 (2021: £13,263,000) was not recorded in the Statement of Financial Position as those balances did not represent assets of the Company. This cash, when recognised on balance sheet, is recorded under 'Cash and cash equivalents'.

14. Called up share capital

	2022 £'000s	2021 £'000s
Allotted and fully paid 1,835,849 ordinary shares of £1 each	1,836	1,836

The ordinary shares have full voting rights.

15. Financial risk management

a) Fair value of financial assets and liabilities

The fair values, financial assets and financial liabilities that are traded in active markets are based on quoted market prices. The fair value of other financial assets and financial liabilities approximate to their carrying amounts due to relatively short periods of maturity of these financial instruments or because they are receivable or payable on demand.

The table below analyses the financial assets and financial liabilities into a fair value hierarchy based on the valuation method used to determine fair value.

- Level 1 – quoted prices in active markets
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability
- Level 3 – inputs that are not based on observable data

Notes to the financial statements - continued

Year ended 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total 2022**
Assets	£'000s	£'000s	£'000s	£'000s
Cash and cash equivalents	105,998	-	-	105,998
Trade and other receivables	152	9,974	-	10,126
Derivative financial instruments	-	76,341	-	76,341
Liabilities				
Trade and other payables	-	184,062	-	184,062

Year ended 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total 2021**
Assets	£'000s	£'000s	£'000s	£'000s
Cash and cash equivalents	70,242	-	-	70,242
Trade and other receivables	169	8,005	-	8,174
Derivative financial instruments	-	72,161	-	72,161
Liabilities				
Trade and other payables	-	144,110	-	144,110

The fair value of the investment in subsidiary is not considered materially different from the carrying value.

b) Market and credit risk

In the normal course of business, the Company's activities will involve execution and settlement of various trading transactions. These activities may expose the Company to market and credit risk in the event a client is unable to fulfil its contracted obligations.

The Company's exposure to market risk arises from the possibility that the client might fail to maintain deposits to absorb market-related losses on transactions and the Company is unable to collect on the loss. Market risk is managed by monitoring real time changes in market conditions, the daily monitoring of clients' open positions and maintaining sufficient level of deposits on account. The company's operations are not materially sensitive to interest rate movements or foreign exchange movements as the majority of trades are back to back trades.

The Company's exposure to credit risk arises from the possibility that transactions executed for clients may fail to settle on the contracted settlement date. Collateral collected by the Company from its clients is greater than that is required to be posted with the counterparties thus reducing the risk. The counterparties primarily include broker dealers, banks, hedging with a prime broker as agent of Velocity Foreign Exchange Services Limited and other financial institutions thus the Company's exposure to credit risk will be limited as the risk of failed settlement transactions should be minimal given that: (i) the period of time between trade date and settlement date is reasonably short; and (ii) if a client fails for any reason whatsoever to make a proper settlement of a trade, the defaulting client is liable to pay the Company the difference, if any, between the net proceeds realised on the closing of the clients' positions and the amount paid to the counterparty to settle the trade. Additionly the trading platform monitors clients' positions in real time and does not allow over exposure in clients' accounts.

c) Liquidity risk

The Company's policy is to manage liquidity risk by entering into back to back trades. As the trades with clearing counterparties are designed to match the trade initiated by the client, there are deemed to be limited liquidity risks facing the Company. Amounts due to clients and group undertakings are repayable on demand.

Notes to the financial statements - continued

d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The firm manages its capital in accordance with the Capital Requirements Directive and the FCA rules relating thereto, further information relating to Pillar 3 disclosure can be found on the Company's website, www.velocitytrade.com.

16. Related party transactions

a) 100% of the Company's voting rights are controlled within the group headed by Velocity Trade Holdings Limited. The Company has entered into various related party transactions with undertakings within the group in the normal course of business. This includes purchase of fixed assets, borrowing funds for working capital needs and revenue sharing with fellow group undertakings. The Company also hedges various foreign exchange contracts with a prime broker as agent of Velocity Foreign Exchange Services Limited, these trades are executed directly with the prime broker in real time. These hedges are included in 'due to fellow group undertakings' as opposed to the prime broker as the Company is acting as an agent under that prime broker agreement. The Company has indemnified Velocity Foreign Exchange Services Limited against any losses associated with these transactions. Detailed below are the amounts reported in the Company's balance sheet which are due to related undertakings:

	2022	**2021**
	£'000s	**£'000s**
Due to fellow group undertakings	4,290	5,005
Due to fellow group undertakings (relating to foreign exchange forward contracts)	75,919	71,721
	80,209	76,726
Due from fellow group undertakings	6,802	7,464
Due from immediate parent	3,063	514
	9,865	7,978

Detailed below are the amounts reported in the Company's statement of comprehensive income which are with related undertakings:

	2022	**2021**
	£'000s	**£'000s**
Principal trading & commissions – commission charged	253	263

b) Key management comprises the directors. Transactions with directors include:

	2022	**2021**
	£'000s	**£'000s**
Employee emoluments	654	745
Amounts owing at year end	-	-

The emoluments were recharged from Velocity Trade Holdings Limited.

c) Transactions with other related parties

	2022	**2021**
	£'000s	**£'000s**
Professional services	343	471

Amounts owing at year end	-	-

Notes to the financial statements - continued

17. Subsequent Events

There were no significant post balance sheet events.

18. Parent company

The immediate and ultimate parent of the Company is Velocity Trade Holdings Limited, a company incorporated in Canada.