

Company Registration No. 08619610 (England and Wales)

FORTRADE LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021

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**FORTRADE LIMITED & SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

GROUP INFORMATION

| | |
|--------------------------|--|
| Directors | N Collison C Humby C Warburton |
| Company number | 08619610 |
| Registered office | 43-45 Dorset Street 2 nd Floor London United Kingdom W1U 7NA |
| Auditors | Fisher, Sassoon & Marks 43-45 Dorset Street 2 nd Floor London United Kingdom W1U 7NA |
| Business address | Michelin House 81 Fulham Road London United Kingdom SW3 6RD |

**FORTRADE LIMITED & SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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FORTRADE LIMITED & SUBSIDIARY

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

This strategic report has been prepared for Fortrade Ltd (the 'parent company') and its subsidiary (the 'group') as a whole and therefore gives greater emphasis to those matters which are significant to the group when viewed as a whole.

Fair review of the business

The parent company is authorised by the Financial Conduct Authority to undertake investment services.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

The group continues to look for opportunities overseas and therefore, the directors expect that the group will grow its business both in its core market and new markets and this will lead to an improvement in the group's financial results and key performance indicators.

Principal risks and uncertainties

As a service provider the directors consider that the key financial risk exposures faced by the group relate to credit risk and the need to maintain sufficient liquidity to satisfy regulatory capital requirements and working capital needs. The group does not take trade positions which expose it to material price risk and nor does it have a material exposure to foreign exchange movements.

The principal non-financial risks faced by the group relate to information technology failure. This is mitigated by having appropriate back-up systems and procedures and a disaster recovery programme.

Development and performance

At the year end the group had net assets in the sum of £6,703,591 (2020: £5,682,890) and accordingly the group has a strong balance sheet and is well placed to achieve its long-term strategy.

Key performance indicators

Key performance indicators are turnover £28,340,165 (2020: £26,674,787) and gross profit £4,279,948 (2020: £4,582,259).

On behalf of the board



.....
C Warburton
Director

29 September 2022

FORTRADE LIMITED & SUBSIDIARY

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report on the affairs of Fortrade Ltd (the 'parent company') and its subsidiary (the 'group'), together with the financial statements and auditor's report, for the year ended 31 December 2021.

Principal activities

The principal activity of the group was that of the provision of investment services and acting as principal to its clients in foreign exchange and derivative positions including Contracts For Difference ("CFD").

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

N Collison
C Humby
C Warburton

Financial instruments

Treasury operations and financial instruments

Liquidity risk

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business.

Foreign currency risk

The group's principal foreign currency exposures arise from assets and liabilities that are denominated in foreign currencies. The group policy permits but does not demand that these exposures may be hedged in order to fix the cost in Sterling.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Post reporting date events

There are no matters to report.

Auditor

The auditors, Fisher, Sassoon & Marks are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

FORTRADE LIMITED & SUBSIDIARY

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of disclosures to 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 of which the group's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditor is aware of that information.

Risk management objectives and policies

The directors determine the group's business strategy and risk appetite along with designing and implementing a risk management framework that recognises the risks that the business faces. They also determine how those risks may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The board meets on a regular basis and discuss current projections for profitability and regulatory capital management, business planning and risk management. The directors manage the group's risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required. The group follows the standardised approach to market risk and credit risk.

The group's financial risk management objectives are therefore to minimise the key financial risks through having clearly defined terms of business with counterparties and stringent market risk control over transactions with them, and regular monitoring of cash flow and management accounts to ensure regulatory capital requirements are not breached and the group maintains adequate working capital.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and the parent company and of the profit or loss of the group 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 applicable UK Accounting Standards 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 group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



C Warburton
Director

29 September 2022

FORTRADE LIMITED & SUBSIDIARY

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRADE LIMITED & SUBSIDIARY

Opinion

We have audited the financial statements of Fortrade Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated and the parent company balance sheet, the consolidated and the parent company statement of changes in equity, the consolidated statement of cash flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)*.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 group 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 group's and the parent 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our 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 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 our 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.

FORTRADE LIMITED & SUBSIDIARY

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF FORTRADE LIMITED & SUBSIDIARY

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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, 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 group's and the parent 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 group or the parent 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.

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group through discussions with directors and other management, and from our commercial knowledge and experience of the financial services sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group, including the Financial Conduct Authority ('FCA'), Companies Act 2006, taxation legislation, data protection, anti-bribery, anti-money-laundering, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

FORTRADE LIMITED & SUBSIDIARY

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF FORTRADE LIMITED & SUBSIDIARY

We assessed the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
- understanding the design of the group's remuneration policies.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates as set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the FCA and reviewing the group's compliance monitoring procedures and findings.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or through collusion.

A further description of our responsibilities is available 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 group'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 group'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 group and the group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Marks (Senior Statutory Auditor)
For and on behalf of Fisher, Sassoon & Marks

September 2022

Chartered Accountants
Statutory Auditor

43 - 45 Dorset Street
2nd Floor, London, United Kingdom
W1U 7NA

FORTRADE LIMITED & SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021 £ | 2020 £ |
|--|-----------|-------------------------|-----------------------|
| Turnover | 3 | 28,340,165 | 26,674,787 |
| Cost of sales | | (24,060,217) | (22,092,528) |
| Gross profit | | <u>4,279,948</u> | <u>4,582,259</u> |
| Administrative expenses | | (3,095,619) | (3,397,652) |
| Operating profit/(loss) | 4 | <u>1,184,329</u> | <u>1,184,607</u> |
| Interest receivable and similar income | 9 | 1,432 | 17,260 |
| Interest payable and similar charges | 10 | - | (1,875) |
| Profit before taxation | | <u>1,185,761</u> | <u>1,199,992</u> |
| Taxation | 11 | (110,892) | (204,350) |
| Profit for the financial year | 19 | <u>1,074,869</u> | <u>995,642</u> |
| Total comprehensive income for the year | | <u><u>1,074,869</u></u> | <u><u>995,642</u></u> |

The profit and loss account has been prepared on the basis that all operations are continuing operations.


FORTRADE LIMITED & SUBSIDIARY

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

| | | 2021 | | 2020 | |
|---|-------|---------------------|-------------------------|---------------------|-------------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 13 | | 13,590 | | 15,499 |
| Current assets | | | | | |
| Debtors | 16 | 26,052,708 | | 25,143,984 | |
| Cash at bank and in hand | | 1,506,511 | | 406,315 | |
| | | <u>27,559,219</u> | | <u>25,550,299</u> | |
| Creditors: amounts falling due within one year | 17 | <u>(20,869,218)</u> | | <u>(19,882,908)</u> | |
| Net current assets | | | <u>6,690,001</u> | | <u>5,667,391</u> |
| Net assets | | | <u><u>6,703,591</u></u> | | <u><u>5,682,890</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 3,396,500 | | 3,396,500 |
| Foreign exchange translation reserve | | | (122,397) | | (68,229) |
| Profit and loss reserves | 19 | | <u>3,429,488</u> | | <u>2,354,619</u> |
| Total equity | | | <u><u>6,703,591</u></u> | | <u><u>5,682,890</u></u> |

The financial statements were approved by the board of directors and authorised for issue on ²⁹ September 2022 and are signed on its behalf by:



 C Warburton
 Director

Company Registration No. 08619610


FORTRADE LIMITED & SUBSIDIARY

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

| | Notes | 2021 | | 2020 | |
|---|-------|---------------------|-------------------------|---------------------|-------------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 13 | | 1,417 | | 3,776 |
| Current assets | | | | | |
| Debtors | 16 | 26,050,357 | | 25,132,961 | |
| Cash at bank and in hand | | 1,432,769 | | 276,250 | |
| | | <u>27,483,126</u> | | <u>25,409,211</u> | |
| Creditors: amounts falling due within one year | 17 | <u>(21,407,598)</u> | | <u>(20,117,919)</u> | |
| Net current assets | | | <u>6,075,528</u> | | <u>5,291,292</u> |
| Net assets | | | <u><u>6,076,945</u></u> | | <u><u>5,295,068</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 3,396,500 | | 3,396,500 |
| Profit and loss reserves | 19 | | <u>2,680,445</u> | | <u>1,898,568</u> |
| Total equity | | | <u><u>6,076,945</u></u> | | <u><u>5,295,068</u></u> |

The financial statements were approved by the board of directors and authorised for issue on ²⁹ September 2022 and are signed on its behalf by:



 C Warburton
 Director

Company Registration No. 08619610

FORTRADE LIMITED & SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

| | Share capital £ | Foreign exchange translation reserve £ | Profit and loss reserves £ | Total £ |
|--|-----------------------|--|-------------------------------------|------------|
| Balance at 1 January 2020 | 3,396,500 | (41,848) | 1,358,977 | 4,713,629 |
| Year ended 31 December 2020: | | | | |
| Profit and total comprehensive income for the year | - | - | 995,642 | 995,642 |
| Foreign exchange translation reserve | - | (26,381) | - | (26,381) |
| Balance at 31 December 2020 | 3,396,500 | (68,229) | 2,354,619 | 5,682,890 |
| Year ended 31 December 2021: | | | | |
| Profit and total comprehensive income for the year | - | - | 1,074,869 | 1,074,869 |
| Foreign exchange translation reserve | - | (54,168) | - | (54,168) |
| Balance at 31 December 2021 | 3,396,500 | (122,397) | 3,429,488 | 6,703,591 |

FORTRADE LIMITED & SUBSIDIARY

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

| | Share capital £ | Profit and loss reserves £ | Total £ |
|--|-----------------------|-------------------------------------|------------|
| Balance at 1 January 2020 | 3,396,500 | 1,138,222 | 4,534,722 |
| Year ended 31 December 2020: | | | |
| Profit and total comprehensive income for the year | - | 760,346 | 760,346 |
| Balance at 31 December 2020 | 3,396,500 | 1,898,568 | 5,295,068 |
| Year ended 31 December 2021: | | | |
| Profit and total comprehensive income for the year | - | 781,877 | 781,877 |
| Balance at 31 December 2021 | 3,396,500 | 2,680,445 | 6,076,945 |

FORTRADE LIMITED & SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

| | | 2021 | | 2020 | |
|---|-------|------------------|---|--------------------|---|
| | Notes | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash generated from/(absorbed by) operations | 22 | 1,198,753 | | (911,241) | |
| Income taxes paid | | (38,417) | | (29,171) | |
| Interest paid | | - | | (1,875) | |
| | | | | | |
| Net cash generated from/(absorbed by) operating activities | | 1,160,336 | | (942,287) | |
| Cash flows from investing activities | | | | | |
| Purchase of tangible fixed assets | | (7,404) | | (9,957) | |
| Net cash disposed of upon disposal of subsidiary | | - | | (352,386) | |
| Interest received | | 1,432 | | 17,260 | |
| | | | | | |
| Net cash from investing activities | | (5,972) | | (345,083) | |
| | | | | | |
| Net increase/(decrease) in cash and cash equivalents | | 1,154,364 | | (1,287,370) | |
| Cash and cash equivalents at beginning of year | | 406,315 | | 1,720,066 | |
| Foreign exchange translation adjustment | | (54,168) | | (26,381) | |
| | | | | | |
| Cash and cash equivalents at end of year | | 1,506,511 | | 406,315 | |

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.1 Company information

Fortrade Limited is a company limited by shares incorporated in England and Wales. The registered office is 43-45 Dorset Street, 2nd Floor, London, W1U 7NA.

1.2 Accounting conventions

These financial statements are the consolidated financial statements of Fortrade Ltd (the 'parent company') and its subsidiary (the 'group') and they have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the parent company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.3 Basis of consolidation

The group financial statements consolidate the financial statements of the parent company and its subsidiary for the year ended 31 December 2021 as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. In the parent company accounts, investments in subsidiary undertakings are stated at cost. Investments in subsidiary are all held at cost less impairment in the separate financial statements of the parent company.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Sterling', which is the parent company's functional and the group's presentation currency.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Transactions and balances

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(continued)

1.5 Investment in Subsidiaries

The consolidated financial statements incorporate the financial statements of the parent company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

1.6 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.7 Turnover

Turnover represents profits and losses, commissions, spread and financing revenues from market making activities and foreign exchange gains and losses.

Revenue represents the net income from CFD positions. In view of the nature of this business no attempt is made to record the particulars of revenue as required by Schedule 1 paragraph 68 of the Companies Act 2006 as it is not considered a valid measure of activity.

1.8 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.9 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|--------------------------------|--------------------------------|
| Fixtures, fittings & equipment | 33.33 % on Straight Line Basis |
|--------------------------------|--------------------------------|

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2021**

1 Accounting policies

(continued)

Impairment of fixed assets (continued)

cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.11 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(continued)

Financial instruments (continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the parent company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the parent company.

1.14 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2021**

1 Accounting policies

(continued)

Derivatives (continued)

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.18 Client monies

The group holds money on behalf of clients in accordance with client money rules of its regulators, where required. Client monies held in segregated bank accounts in accordance with regulations and the corresponding liabilities to these clients are not recognised in the Balance Sheet because the group is not beneficially entitled to them.

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover

An analysis of the group's turnover is as follows:

| | 2021 £ | 2020 £ |
|---|------------|------------|
| Turnover analysed by class of business | | |
| Net Revenue | 28,340,165 | 26,674,787 |

| | 2021 £ | 2020 £ |
|----------------------|-----------|-----------|
| Other revenue | | |
| Interest income | 1,432 | 17,260 |

4 Operating profit

Operating profit for the year is stated after charging:

| | 2021 £ | 2020 £ |
|---------------------------------|-----------|-----------|
| Exchange losses, net | 157,989 | 36,063 |
| Depreciation of tangible assets | 9,313 | 8,609 |

5 Auditors' remuneration

Fees payable to the group's auditor and its associates:

For audit services

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| Audit of the parent company's financial statements | 20,208 | 20,208 |
| Audit of other group subsidiary | 8,541 | 22,841 |
| | 28,749 | 43,049 |

For other services

| | 2021 £ | 2020 £ |
|------------------------------|-----------|-----------|
| All other non-audit services | 14,216 | 10,919 |

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

6 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

| | 2021 Number | 2020 Number |
|----------------|------------------------|------------------------|
| Administration | 7 | 7 |
| Support | 13 | 16 |
| Directors | 3 | 4 |
| | <u>23</u> | <u>27</u> |

Their aggregate remuneration comprised:

| | 2021 £ | 2020 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 1,489,677 | 1,402,139 |
| Social security costs | 107,585 | 119,537 |
| Pension costs | 172,232 | 177,848 |
| | <u>1,769,494</u> | <u>1,699,524</u> |

7 Directors' remuneration

| | 2021 £ | 2020 £ |
|--------------------------------------|-------------------|-------------------|
| Remuneration for qualifying services | 224,882 | 250,504 |
| Compensation for loss of office | - | 30,000 |
| | <u>224,882</u> | <u>280,504</u> |

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | | |
|---|----------------|------------|
| Remuneration for qualifying services | 204,882 | N/a |
| Group pension contributions to defined contribution schemes | 1,320 | N/a |
| | <u>206,202</u> | <u>N/a</u> |

8 Remuneration of key personnel

| | 2021 £ | 2020 £ |
|------------------------|-------------------|-------------------|
| Aggregate compensation | <u>224,882</u> | <u>280,504</u> |

9 Interest receivable and similar income

| | 2021 £ | 2020 £ |
|---------------------------|-------------------|-------------------|
| Interest income | | |
| Interest on bank deposits | <u>1,432</u> | <u>17,260</u> |

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

| | | | |
|-----------|--|-------------|-------------|
| 10 | Interest payable and similar expenses | 2021 | 2020 |
| | | £ | £ |
| | Interest on financial liabilities measured at amortised cost: | | |
| | Other interest on financial liabilities | - | 1,875 |
| | | <u></u> | <u></u> |
| 11 | Taxation | 2021 | 2020 |
| | | £ | £ |
| | Current tax | | |
| | UK corporation tax on profits for the current year | 162,970 | 128,951 |
| | Adjustment in respect of previous year | (90,495) | - |
| | Foreign current tax on profits for the current year | 38,417 | 75,399 |
| | | <u></u> | <u></u> |
| | | 110,892 | 204,350 |
| | | <u></u> | <u></u> |

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

| | | |
|--|-------------|-------------|
| | 2021 | 2020 |
| | £ | £ |
| Profit before taxation | 1,185,761 | 1,199,992 |
| | <u></u> | <u></u> |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | 225,295 | 227,998 |
| Different tax rates applied in overseas jurisdictions | 13,256 | 35,892 |
| Tax effect of profits that are not recognised in determining taxable profit | (27,002) | - |
| Utilisation of overseas tax losses not previously recognised | - | (26,709) |
| Permanent capital allowances | - | 60 |
| Utilisation of UK tax losses not previously recognised | - | (11,647) |
| Research and development refund in respect of previous year | (90,495) | (26,160) |
| Other | (10,162) | 4,916 |
| | <u></u> | <u></u> |
| Total tax charge/(credit) for the year | 110,892 | 204,350 |
| | <u></u> | <u></u> |

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12 Profit attributable to the group

The parent company has taken advantage of section 408 of the Companies Act 2006 not to present its own statement of comprehensive income. The parent company's result for the year was a profit of £781,877 (2020: £760,346).

13 Tangible fixed assets

| | Group Fixtures, fittings & equipment £ | Company Fixtures, fittings & equipment £ |
|------------------------------------|--|--|
| Cost | | |
| At 1 January 2021 | 180,818 | 110,092 |
| Additions | 7,404 | 839 |
| At 31 December 2021 | 188,222 | 110,931 |
| Depreciation and impairment | | |
| At 1 January 2021 | 165,319 | 106,316 |
| Depreciation charged in the year | 9,313 | 3,198 |
| At 31 December 2021 | 174,632 | 109,514 |
| Carrying amount | | |
| At 31 December 2021 | 13,590 | 1,417 |
| At 31 December 2020 | 15,499 | 3,776 |

14 Subsidiary

Details of the parent company's subsidiary as at 31 December 2021 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % held direct |
|----------------------------|----------------------|------------------------------|-------------------------|------------------|
| Fort Securities Israel Ltd | Israel | Back office support services | Ordinary | 100.00 |

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

| 15 | Financial instruments | Group 2021 £ | Company 2021 £ | Group 2020 £ | Company 2020 £ |
|-----------|---|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| | Carrying amount of financial assets | | | | |
| | Debt instruments measured at amortised cost | 25,840,564 | 25,840,564 | 24,962,239 | 24,951,791 |
| | Carrying amount of financial liabilities | | | | |
| | Measured at amortised cost | 20,552,709 | 21,189,678 | 19,737,656 | 19,972,666 |
| 16 | Debtors | Group 2021 £ | Company 2021 £ | Group 2020 £ | Company 2020 £ |
| | Amounts falling due within one year: | | | | |
| | Trade debtors and trading assets | 25,840,564 | 25,840,564 | 24,962,239 | 24,951,791 |
| | Other debtors | 172,588 | 170,404 | 103,464 | 103,464 |
| | Prepayments and accrued income | 39,556 | 39,389 | 78,281 | 77,706 |
| | | 26,052,708 | 26,050,357 | 25,143,984 | 25,132,961 |
| 17 | Creditors | Group 2021 £ | Company 2021 £ | Group 2020 £ | Company 2020 £ |
| | Amounts falling due within one year: | | | | |
| | Trade creditors and trading liabilities | 2,489,386 | 2,458,998 | 6,971,389 | 6,957,808 |
| | Amounts owed to group undertakings | 17,680,957 | 18,348,314 | 12,343,887 | 12,844,561 |
| | Corporation tax | 204,227 | 204,227 | 131,752 | 131,752 |
| | Other taxation and social security | 112,282 | 13,693 | 265,583 | 13,501 |
| | Other creditors | 46,482 | 46,482 | 1,408 | 1,408 |
| | Accruals and deferred income | 335,884 | 335,884 | 168,889 | 168,889 |
| | | 20,869,218 | 21,407,598 | 19,882,908 | 20,117,919 |

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

18 Share capital

| | 2021 | 2020 |
|--------------------------------------|-----------|-----------|
| | £ | £ |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 3,396,500 Ordinary shares of £1 each | 3,396,500 | 3,396,500 |

The parent company has one class of ordinary shares which carry voting rights and full rights to dividends and capital distributions.

19 Profit and loss reserves

| Group | 2021 | 2020 |
|------------------------------|-----------|-----------|
| | £ | £ |
| At the beginning of the year | 2,354,619 | 1,358,977 |
| Profit for the year | 1,074,869 | 995,642 |
| At the end of the year | 3,429,488 | 2,354,619 |

Profit and loss reserves

| Parent Company | 2021 | 2020 |
|------------------------------|-----------|-----------|
| | £ | £ |
| At the beginning of the year | 1,898,568 | 1,138,222 |
| Profit for the year | 781,877 | 760,346 |
| At the end of the year | 2,680,445 | 1,898,568 |

20 Related party transactions

The group has taken advantage of the exemption available in FRS 102-33.1A "Related party disclosures" whereby disclosures need not be given of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

21 Ultimate controlling party

The parent entity is Alba Capital SA by virtue of its 100% shareholding in the group.

The ultimate controller is Audina Treuhand AG.

| 22 Cash generated from operations | 2021 | 2020 |
|--|------------------|------------------|
| | £ | £ |
| Profit for the year after tax | 1,074,869 | 995,642 |
| Adjustments for: | | |
| Taxation charged | 110,892 | 204,350 |
| Investment income | (1,432) | (17,260) |
| Depreciation and impairment of tangible fixed assets | 9,313 | 8,609 |
| Finance cost | - | 1,875 |
| Loss on disposal of subsidiary | - | 14,744 |
| Movements in working capital: | | |
| Increase in debtors | (908,724) | (7,004,549) |
| Increase in creditors | 913,835 | 4,885,348 |
| Cash generated from/(absorbed by) operations | 1,198,753 | (911,241) |

23 Retirement benefits schemes

| Defined contribution schemes | 2021 | 2020 |
|---|-------------|-------------|
| | £ | £ |
| Charge to profit or loss in respect of defined contribution schemes | 172,232 | 177,848 |

The Group operates defined contribution pension schemes for certain employees. The assets of the schemes are held separately from those of the group in independently administered funds.

24 Lien and contingent liabilities

Fort Securities Israel Limited has lien on a deposit in amount of £35,926 (2020: £34,226) in favour of Bank Mizrahi-Tefahot LTD.

On August 2020, Fort Securities Israel Limited signed an office rent agreement, for a period of 12 months starting September 2020, with an option (which has been realized) to extend the rent period for additional 12 months. The monthly rental fees are £7,851 (2020: £7,480) attached to the CPI.

There is a bank guarantee in a favour of the renter in amount of £29,740 (£28,332) linked to the CPI.

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

25 Events after the reporting date

There are no matters to report.

26 Risk management structure

The Chief Executive Officer ('CEO') is ultimately responsible for the overall risk management approach of the group and for approving and monitoring risk strategies, setting limits, applying principles and ensuring appropriate risk reduction strategies and procedures are coordinated and implemented. The CEO is also responsible for quantification and qualification of risks inherent in the group's trading and ensuring that risk procedures and systems are optimised and maintained.

27 Risks from use of financial instruments

27.1 Market risk - Trading

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and underlying prices. Market risk is the risk of loss in portfolio value as a result of movements in these financial instruments market values.

The group does not undertake proprietary trading based on expectations in changes in market prices. However, the group may not hedge all client transactions and therefore may have a net position in the markets on which it offers products.

The client positions are monitored on a continual basis and are assessed against the Firm's Risk Management Policy. Where large exposures build up, these may be off-set by hedging in the market. The Firm therefore has exposure to market risk to the extent that it has residual un-hedged positions and this exposure depends on market movements and client activities. The CEO and the Trading Risk Manager monitor the appropriateness of the Firm's Risk Management Policy on an ongoing basis.

27.2 Credit risk

The group has credit risk with counterparties with which it deposits funds. The group monitors the exposure for each counter party. The group's credit risk is the risk that a counter party will cause a financial loss for the group by failing to discharge their financial obligations to it.

The group has negligible client credit risk as it requires clients to place a margin or deposit in their account for all trades before they are permitted to deal with the group. The group has a formal margin policy and clients must top up their margin to pre-set levels if they fall below these or the group may enforce liquidation of one or more of their open positions.

The group does not extend credit to clients over and above the amount which they are being permitted to trade at the group's pre-set margin levels, nor does it accept financial instruments other than cash by way of collateral. This further mitigates any credit risk to the group.

27.3 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its financial obligations.

The group's approach to liquidity is to ensure that as far as possible it will always have sufficient liquidity to meet its clients' and brokers' margin requirements and liabilities when they fall due. This is achieved by ongoing monitoring of the group's available working capital as compared with the amounts due to clients and counterparties.

The cash position of the group is therefore monitored closely by the CEO and contingency plans are always in place to meet unexpected demands.

FORTRADE LIMITED & SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

27.4 Operational risk

The group's operational risk is the risk that the group will derive losses through inherent failure in its processes, personnel, technology, infrastructure or external forces impacting any of these. These risks are countered through regular assessment of the likelihood of these risks as part of the group's ongoing internal risk management procedures, and contingency planning for how to deal with such risks. The group's internal risk management procedures also detail expected costs which would be associated with risks which cannot be fully mitigated, and these are taken into account when planning the group's capital.

27.5 Foreign exchange risk

The group operates globally and uses the Sterling as its functional currency and is thus exposed to foreign exchange risk arising from various currency combinations. Foreign currency-denominated assets and liabilities together with expected cash flows give rise to foreign exchange exposures.

The foreign exchange risk management policy of the group is to hedge material foreign exchange exposures. Exposures are hedged by means of matching assets with liabilities and holding material cash balances in Sterling, Euros and US dollars.