Company Number 00500777

ICAP Securities Limited

Annual Report and Financial Statements - 31 December 2018

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their Annual Report and the audited financial statements of ICAP Securities Limited (the 'Company') for the year ended 31 December 2018.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

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

The Company is active in wholesale markets across a wide range of asset classes which comprise credit, equities, rates, futures, emerging markets and commodities. This makes the business relatively resilient throughout the economic cycle.

The credit business comprises inter-dealer broking of corporate bonds and credit derivatives. The market continued to see muted volumes coupled with the ongoing low interest rates environment meant market conditions remained tough. The shifting dynamics of credit markets with increased use of electronic platforms, changing client base from bank to buy side and the new regulatory landscape of 2018 continues to drive focus on the more profitable elements of the business where customer demand is expected to stabilise and then grow over time.

Equities had a notable upturn in the structured products and equity finance business with revenues up year on year, however, the year saw a downturn on the cash equities execution side.

In the current year a new arrangement has been introduced whereby Group related companies introduce clients who trade on the Company's OTF. The revenue is recorded gross and the introductory fees are then recorded in admin expenses. This has resulted in a significant increase in the current year in both revenue and admin expenses.

RESULTS

The results of the Company are set out in the statement of profit and loss account on page 9.

The profit for the financial year / period of £25,924,000 (2017: £9,021,000) has been transferred to reserves.

The net assets of the Company are £377,711,000 (2017: £351,041,000).

PRINCIPAL RISKS AND UNCERTAINTIES

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

Market risk is the vulnerability of the Company to movements in the value of financial instruments. Market risk can arise in those instances where one or both counterparties in a matched principal transaction fail to fulfil their obligations (i.e. an initially unsettled transaction) or through trade mismatches or other errors. The risk in these situations is restricted to short-term price movements in the underlying securities held or to be delivered by the Company, movements in foreign exchange rates and interest rates. These risks are further discussed in Note 3.

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

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

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

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

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

There is a risk that Brexit leads to a macroeconomic downturn and a consequential reduction in trading volumes and revenue.

For some months the Company has been preparing for all eventualities, including the UK leaving the EU without a deal. In that circumstance, the Company would lose its ability to provide services in the EU27 zone using passports, either through branches or on a cross-border services basis and the ability to continue doing business in Europe would be restricted.

There are three main activity streams to consider that are dependent on the particular location of a client and the specific asset class.

The first is the business done in the UK for UK and non-EU clients. This should be largely unaffected although in future there may be a consequential impact from the changes made to protect other streams of activity.

The second stream of activity is that which is carried out in the EU for the clients in the EU. To enable EU to EU business the Company needs to operate via both a legal entity and a venue in the EU.

The Group has been given authorisation from the French prudential regulator for a subsidiary based in France, with branch offices in other EU sites, to provide services in the EU.

A multilateral trading facility (MTF) and two organised trading facilities (OTF) have been created in the EU so that EU activity can be conducted on MiFID II venues after the UK leaves the EU.

The third stream of activity is the business done for EU based clients through broking desks in the UK. In a no deal Brexit, the Company may not be able to conduct this activity in the way it has done to date. Plans have been made to adjust the business model so that the Group can continue to service these clients.

The ultimate distribution of staff between the UK and the EU will depend on clients requirements and locations but for the foreseeable future we expect the UK to remain a major centre for financial, energy and commodities markets.

Contingency plans for a no deal Brexit have been put in place and the Group is working hard to minimise the impact however it is difficult to gauge the scale of any impact at this stage.

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

KEY PERFORMANCE INDICATORS

The Company's return on assets, calculated as net profit divided by net assets, is 6.9% (2017: 2.6%). This is an increase on the previous year and in line with management expectations given this is a 12 month period.

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

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

J Scard-Morgan
Director

25 April 2019

ICAP Securities Limited
Directors' report
31 December 2018

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL ACTIVITIES

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

The Company is incorporated in the United Kingdom and domiciled in England and Wales. The Company is a private company limited by shares. The registered office is Floor 2, 155 Bishopsgate, London, England, EC2M 3TQ.

The Company has one regulated branch in Germany. The Company is regulated by the FCA in the United Kingdom.

On 20 October 2017, the Company changed its accounting reference date to 31 December to align with the Group's accounting period. As a result, the Company's previous accounting period was shortened to a nine month period ended 31 December 2017.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

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

PRINCIPAL RISKS AND UNCERTAINTIES

Details of principal risks and uncertainties can be found in the Strategic Report on page 2 and within the financial risk management note (Note 3).

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being at least the next 12 months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis in preparing the financial statements.

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

DIVIDENDS

During 2018 the Directors declared and paid dividends on the ordinary shares of £11,000,000 (2017: £nil). No further dividends have been proposed up to the date of signing.

DIRECTORS

The following persons were Directors of the Company during the financial year and up to the date of this report, unless otherwise stated:

N Breteau (appointed 30 Nov 2018)
J Scard-Morgan
F Vogels
G Stewart
D Casterton (resigned 6 Dec 2018)

DIRECTOR'S INDEMNITIES

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

ENVIRONMENTAL POLICY

The nature of the Company's activities is such that it has a minimal direct effect on the environment. However, management have agreed to adopt Group policies to safeguard the environment, to meet statutory requirements, or where such policies are commercially sensible.

POLITICAL CONTRIBUTIONS

There were no political donations made by the Company during the period (2017: £nil).

ICAP Securities Limited
Directors' report
31 December 2018

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

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

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

POST BALANCE SHEET EVENTS

On the 27 March 2019, ICAP Securities Limited issued one share to ICAP Global Broking Holdings Limited for a consideration of £6,000,000.

There have been no further post balance sheet events from 31 December 2018 up to the date of signing which require separate disclosure.

INDEPENDENT AUDITOR

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

PROVISION OF INFORMATION TO THE AUDITOR

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

APPROVAL OF REDUCED DISCLOSURES

As permitted by FRS 101, the Company has taken advantage of all of the disclosure exemptions available to it, including: statement of cash flows, the effect of new accounting standards not yet mandatory, presentation of comparative information for certain assets, key management compensation, related party transactions and share-based payments.

This report is authorised for issue by the board of Directors.

On behalf of the Directors

J Scard-Morgan
Director

25 April 2019

Company number: 00500777

ICAP Securities Limited
Directors' responsibilities statement
31 December 2018

The Directors are responsible for preparing the Annual Report and 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 FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 'Reduced Disclosure Framework' has 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.

ICAP Securities Limited
Independent auditor's report to the members of ICAP Securities Limited
31 December 2018

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ICAP Securities Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of which comprise:

- the statement of profit and loss;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity and
- the related notes 1 to 24.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always **detect** a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

Ben Jackson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 April 2019

ICAP Securities Limited
Statement of profit or loss
For the year ended 31 December 2018

	Note	Year ended 31 Dec 2018 £'000	Period ended 31 Dec 2017 £'000
Revenue		102,087	53,321
Expenses			
Administrative costs	4	(84,538)	(42,476)
Other operating income / (expenses)	7	165	(252)
Operating profit		17,714	10,593
Interest receivable and similar income	8	1,508	672
Interest payable and similar expenses	9	(2)	(2)
Dividends received	11	10,500	-
Profit before income tax expense		29,720	11,263
Income tax expense	10	(3,796)	(2,242)
Profit after income tax expense for the year		25,924	9,021

The operating profit for the year is derived from continuing operations

The above statement of profit or loss should be read in conjunction with the accompanying notes

ICAP Securities Limited
Statement of other comprehensive income
For the year ended 31 December 2018

	Year ended 31 Dec 2018 £'000	Period ended 31 Dec 2017 £'000
Profit after income tax expense for the year	25,924	9,021
Other Comprehensive income		
Translation of overseas branches	16	63
Revaluation of financial assets held at FVOCI	(155)	-
Other Comprehensive income for the year, net of tax	(139)	63
Total Comprehensive income for the year	25,785	9,084

The above statement of other comprehensive income should be read in conjunction with the accompanying notes

ICAP Securities Limited
Balance sheet
As at 31 December 2018

	Note	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Assets			
Non-current assets			
Investment in subsidiaries	12	270,986	261,974
Other financial assets	13	-	39,758
Deferred tax asset	10	97	23
Total non-current assets		271,083	301,755
Current assets			
Debtors	14	2,033,734	2,934,240
Other financial assets	16	39,168	-
Cash and cash equivalents	15	29,658	9,111
Total current assets		2,102,560	2,943,351
Total assets		2,373,643	3,245,106
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	17	1,981,026	2,890,601
Bank loans and overdrafts	18	11,956	128
Tax payable	10	2,839	2,828
Provisions	19	111	508
Total current liabilities		1,995,932	2,894,065
Total liabilities		1,995,932	2,894,065
Net assets		377,711	351,041
Equity			
Issued capital	20	351,331	351,331
Share premium		13,304	-
Other reserves		-	9,700
Retained profits/(accumulated losses)		13,076	(9,990)
Total equity		377,711	351,041

The financial statements on page 9 to 32 were approved and authorised for issue by the board of Directors on 25 April 2019 and were signed on its behalf by:

J Scard-Morgan
Director

25 April 2019

Company number: 00500777

The above balance sheet should be read in conjunction with the accompanying notes

ICAP Securities Limited
Statement of changes in equity
For the year ended 31 December 2018

	Issued capital £'000	Share premium £'000	Other reserves £'000	Retained profits £'000	Total equity £'000
Balance at 1 April 2017	351,331	-	9,700	(19,074)	341,957
Profit after income tax expense for the period	-	-	-	9,021	9,021
Other Comprehensive income for the period, net of tax	-	-	-	63	63
Total Comprehensive income for the period	-	-	-	9,084	9,084
Balance at 31 December 2017	351,331	-	9,700	(9,990)	351,041

	Issued capital £'000	Share premium £'000	Other reserves £'000	Retained profits £'000	Total equity £'000
Balance at 1 January 2018	351,331	-	9,700	(9,990)	351,041
Profit after income tax expense for the year	-	-	-	25,924	25,924
Other Comprehensive income for the year, net of tax	-	-	-	(139)	(139)
Total Comprehensive income for the year	-	-	-	25,785	25,785
Transfer from reserves to retained earnings	-	-	(9,700)	9,700	-
Share capital issued	-	13,304	-	-	13,304
Expected credit loss adjustment	-	-	-	(1,480)	(1,480)
Deferred tax equity adjustment	-	-	-	61	61
Dividends paid (note 21)	-	-	-	(11,000)	(11,000)
Balance at 31 December 2018	351,331	13,304	-	13,076	377,711

Share capital

The balance classified as share capital includes the nominal value of the proceeds on issue of the Company's share capital, comprising £1 ordinary shares. During the period 1 share was issued to ICAP Global Broking Holdings for £13,304,001.

Share premium

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

Other reserves

The other reserves in the prior period relate to a capital contribution reserve which has been transferred to retained earnings in the current year.

The above statement of changes in equity should be read in conjunction with the accompanying notes

Note 1. General information and principle accounting policies

General information

The Company is a private company limited by shares.

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

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Financial Reporting Council ('FRC') that are mandatory for the current reporting period.

The adoption of the following Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

The following Accounting Standards and Interpretations are most relevant to the Company:

IFRS 9 Financial Instruments
The Company has adopted IFRS 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model for which the objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model for which the objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The impact of applying the new impairment model under IFRS 9 is discussed within the impairment of financial assets accounting policy (Note 1).

IFRS 15 Revenue from Contracts with Customers
The Company has adopted IFRS 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. The adoption of IFRS 15 has not had a significant effect on the amounts reported in these financial statements.

Going concern

After consideration of the Company's business review and the risks and uncertainties; including the risks related to Brexit as set out in the Strategic Report, and having considered the Company's forecasts including the Company's liquidity and capital, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least the next twelve months. Accordingly, the going concern basis continues to be used in preparing these financial statements.

Basis of preparation

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' and the Companies Act 2006.

Note 1. General information and principle accounting policies (continued)

The financial statements are prepared in pound sterling which is the functional currency of the Company.

As permitted by FRS 101, the Company has taken advantage of all of the disclosure exemptions available to it, including: statement of cash flows, new Accounting Standards not yet mandatory, presentation of comparative information for certain assets, impairment of assets, key management compensation, related party transactions and share-based payments.

Where relevant, equivalent disclosures have been given in the group accounts of TP ICAP plc.

The Company's ultimate parent is TP ICAP plc (incorporated in the United Kingdom) and its consolidated financial statements are available from Companies House.

Items which are of a non-recurring nature and material, when considering both size and nature, are disclosed separately to give a clearer presentation of the Company's results.

The Company has exercised its entitlement to not produce consolidated financial statements since consolidated financial statements have been prepared by the ultimate parent company TP ICAP plc.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Revenue
Revenue is generated in Europe and primarily comprises commission from the Company's agency business and brokerage from matched principal transactions.

Matched principal business
The Company is involved as principal in the purchase and simultaneous commitment to sell securities and other financial instruments between third parties. Turnover is generated from the difference between the purchase and sale proceeds and is recognised in full at the time of the simultaneous commitment by the counterparties to sell and purchase the financial instrument.

Agency business (name give-up transactions)
The Company acts in a non-advisory capacity to match buyers and sellers of financial instruments and raises invoices monthly for the service provided. The Company does not act as principal and only receives and transmits orders between counterparties. Turnover is stated net of rebates and discounts, value added tax and other sales taxes and is recognised in full on the date of the trade. Amounts receivable at the year end are reported as agency trade debtors within debtors.

In the current year a new arrangement has been introduced whereby Group related companies introduce clients who trade on the Company's OTF. The revenue is recorded gross and the introductory fees are then recorded in admin expenses. This has resulted in a significant increase in the current year in both revenue and admin expenses.

Execution on exchange business
The Company also acts as a broker of exchange listed products, where the Company executes client orders as principal and then novates the trade to the underlying clients' respective clearing broker for settlement. Turnover is generated from either the difference between the purchase and sale proceeds or by invoice, depending on the product, market and agreements in place with the customer, and is recognised on trade date.

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

Interest receivable and similar income
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 1. General information and principle accounting policies (continued)

Borrowing costs
All borrowing costs are expensed as interest payable and similar charges in the profit and loss account using the applicable effective interest rate.

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

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

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

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

Foreign currencies
Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences are taken to the profit and loss account.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

For the purpose of presenting the financial statements, the assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date. Exchange differences arising are recorded in the statement of other comprehensive income and transferred to the Company's profit and loss account in equity.

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

Debtors
Debtors are recognised at amortised cost less provision for impairment.

Note 1. General information and principle accounting policies (continued)

Financial instruments
The Company has applied IFRS 9 from 1 January 2018 which has replaced IAS 39 'Financial Instruments: Recognition and Measurement'. Under the transition methods chosen, comparative information has not been restated. The Company had no hedging relationships as at this date or during the current reporting period. The details of new significant accounting policies are set out below.

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset.

There are three principal classification categories for financial assets that are debt instruments:
(i) fair value through other comprehensive income 'FVOCI',
(ii) fair value through profit or loss 'FVTPL' and
(iii) amortised cost

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income 'OCI'. This election is made on an investment by investment basis.

Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

All financial assets not classified as "measured at amortised cost" or "FVOCI" are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as an asset measured at FVTPL if doing this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

There has been no material impact on the classification and measurement of the Company's financial assets, except for equity assets that were classified as available-for-sale under IAS 39 which, at the date of initial application of IFRS 9, the Company elected to apply the FVOCI option.

There has been no change in the accounting for financial liabilities as IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Under IFRS 9, changes in the fair value of a financial liability designated as at FVTPL due to credit risk are presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' 'ECL' model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade receivables, intercompany debtors, settlement balances, deposits paid for securities borrowed, and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from expected default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all expected default events over the expected life of a financial instrument.

Note 1. General information and principle accounting policies (continued)

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and cash and cash equivalents for which credit risk has not increased significantly since initial recognition.

The Company has elected to measure loss allowances for trade receivables, intercompany debtors settlement balances and deposits paid for securities borrowed at an amount equal to lifetime ECLs.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when: the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or if the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's or BBB- or higher per both Standard & Poor's and Fitch.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

Credit-impaired financial assets:
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impact of the new impairment model
The application of the impairment requirements of IFRS 9 will not have a material impact on the Company's financial statements.
For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows:

	£'000
Loss allowance at 31 December 2017 under IAS 39	808
Additional impairment recognised at 1 January 2018	1,480
Loss allowance at 1 January 2018 under IFRS 9	2,288

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

Note 1. General information and principle accounting policies (continued)

Matched principal business
The Company is involved as principal in the purchase and simultaneous commitment to sell securities and other financial instruments between third parties. Such trades are complete only when both sides of the transaction are settled and therefore the Company is exposed to risk in the event that one side of the transaction remains unsettled. Substantially all the transactions settle within a short period of time on a delivery versus payment basis and, as such, the settlement risk is considered to be low. All amounts due to and payable by counterparties in respect of matched principal business are shown gross as matched principal trade debtors and matched principal trade creditors except where a netting agreement, which is legally enforceable at all times, exists and the asset and liability are either settled net or simultaneously.

Stock borrow loan
The Company acts an intermediary between customers for collateralised stock lending transactions. Such trades are complete only when both the collateral and stock for each side of the transaction are returned. The gross amounts of collateral due to and receivable from customers are disclosed in the balance sheet as deposits paid for securities borrowed and deposits received for securities loaned. These are carried at fair value.

Creditors
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Dividend income and interest income
Dividend income is recognised upon receipt and interest income is recognised when receivable.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Investment in subsidiaries
Investments comprise equity shareholdings. These investments are recorded at historical cost less provision for any impairment in their values. A subsidiary is an entity over which the Company has control. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Impairment of subsidiaries
An impairment review of the recoverable amount is undertaken at each balance sheet date or when such events or changes in circumstances indicate that an impairment loss may have occurred.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

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

Note 1. General information and principle accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Dividends
Dividends are recognised when declared during the financial year.

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

Note 2. Key accounting judgements and sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

As at 31 December 2018, significant judgements and assumptions were applied to the valuation of the investment in ICAP Holdings (UK) Limited. The value of the investment is based on discounted cash flows for the subsidiaries held by ICAP Holdings (UK) Limited.

Note 3. Financial risk management

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

Financial assets

	As at 31 Dec 2018 £'000	**As at 31 Dec 2017 £'000**
Cash and restricted cash (Note 15)	29,658	9,111
Debtors (Note 14)	2,033,734	2,934,240
Less prepayments (Note 14)	(224)	(233)
	2,063,168	2,943,118

Note 3. Financial risk management (continued)

Market risk

Market Risk includes risks arising from movements in foreign exchange, interest rates, market prices and fair value.

Foreign exchange risk

The Company is exposed to both transactional and translational fluctuations in the value of financial instruments due to exchange rate movements. Transactional exposure arises from administrative and other expenses and remittance of funds in currencies other than the Company's functional currency (sterling), principally United States dollars and euros. Translational exposure arises on the conversion of the foreign currency denominated assets and liabilities into sterling.

It is estimated that a 10 cent increase in the exchange rates of the United States dollar and the euro as at 31 December 2018, would have an impact of £158,000 and an impact of £218,000 (2017: £205,000 and £141,000) respectively on the Company's profit and loss account and reserves. Other currencies includes Japanese Yen, Australian Dollar, and South African Rand among others. These balances are immaterial as at the year end.

The table below summarises the Company's exposure to concentrations of foreign and domestic currencies as at 31 December 2018:

	USD £'000	EUR £'000	Other £'000	GBP £'000	Total £'000
Assets					
Cash and restricted cash	245	695	890	27,828	29,658
Debtors less prepayments	445,862	765,868	405,815	415,965	2,033,510
	446,107	766,563	406,705	443,793	2,063,168
Liabilities					
Creditors	(438,278)	(762,720)	(400,979)	(379,049)	(1,981,026)
Clearing overdraft	(5,654)	(1,190)	(4,997)	(115)	(11,956)
Other provisions	-	-	-	(111)	(111)
	(443,932)	(763,910)	(405,976)	(379,275)	(1,993,093)
Net assets	2,175	2,653	729	64,518	70,075

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

	USD £'000	EUR £'000	Other £'000	GBP £'000	Total £'000
Assets					
Cash and restricted cash	859	1,208	225	6,819	9,111
Debtors less prepayments	1,109,221	490,582	691,331	642,873	2,934,007
	1,110,080	491,790	691,556	649,692	2,943,118
Liabilities					
Creditors	(1,107,204)	(490,004)	(691,623)	(601,770)	(2,890,601)
Clearing overdraft	-	(33)	-	(95)	(128)
Other provisions	-	-	-	(508)	(508)
	(1,107,204)	(490,037)	(691,623)	(602,373)	(2,891,237)
Net assets	2,876	1,753	(67)	47,319	51,881

Note 3. Financial risk management (continued)

Interest rate risk

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

As at 31 December 2018 there were no instruments with a contracted maturity or re-pricing date in excess of 18 months.

The Company estimates that an increase of 1% in interest rates would have an impact of £177,000 (2017: £90,000) on the Company's profit and loss account and reserves.

The Company's interest rate profile as at 31 December 2018 was as follows:

	None £'000	Fixed £'000	Variable £'000	Total £'000
Assets				
Cash and restricted assets	-	-	29,658	29,658
Debtors less prepayments	2,033,510	-	-	2,033,510
	2,033,510	-	29,658	2,063,168
Liabilities				
Creditors	(1,981,026)	-	-	(1,981,026)
Clearing overdraft	-	-	(11,956)	(11,956)
Provision	(111)	-	-	(111)
	(1,981,137)	-	(11,956)	(1,993,093)

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

	None £'000	Fixed £'000	Variable £'000	Total £'000
Assets				
Cash and restricted cash	-	-	9,111	9,111
Debtors less prepayments	2,934,007	-	-	2,934,007
	2,934,007	-	9,111	2,943,118
Liabilities				
Creditors	(2,890,601)	-	-	(2,890,601)
Clearing Overdraft	-	-	(128)	(128)
Other provisions	(508)	-	-	(508)
	(2,891,109)	-	(128)	(2,891,237)

Note 3. Financial risk management (continued)

Price risk

The Company is exposed to price risk when one or both counterparties in a matched principal or stock lending transaction fail to fulfil their obligations, through trade mismatches or other errors. Risk is restricted to short term price movements in the underlying stock held.

To the extent that any exist, unmatched transactions are identified and monitored on a daily basis. The Group has policies and procedures in place to reduce the likelihood of such situations but should they arise, the policy is to close out positions immediately or, with Senior Management approval, to carry them with an appropriate hedge in place.

The Company expects that movement in the price of assets and liabilities in matched principal transactions will not have a material effect on the profit and loss account of the Company.

Fair value

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

As at 31 December 2018 there are no assets or liabilities whose carrying value was not a reasonable approximation of its fair value (2017: none).

Credit risk

Credit risk arises from the potential that a counterparty is unable or unlikely to perform on an obligation resulting in a loss for the Company. When the Company enters into transactions only when executing on behalf of customers, providing customer access to clearing, or provides additional fee-based services to customers, there does exist short-term credit exposure, prior to clearing and settlement, and outstanding receivables that the Company manages. All counterparties are subject to regular review and assessment by regional credit officers and credit limits are set and approved by the appropriate credit committee. Limits are set based on Group parameters determining the maximum loss any one company (within the Group) can suffer as a result of counterparty default. Typically the Company's counterparties are highly credit rated large financial institutions.

The Company has no significant concentrations of credit risk and the maximum exposure is limited to debtors and cash, other than matched principal trade debtors (Note 14). In a matched principal transaction there is a simultaneous commitment by the counterparties to sell and purchase a financial instrument meaning there does exist short-term credit exposure, prior to clearing and settlement, and outstanding receivables that the Company manages.

Liquidity risk

The Company seeks to ensure that it has constant access, even in periods of market turmoil, to an appropriate level of cash, other forms of marketable securities and committed funding lines to enable it to finance its ongoing operations, proposed acquisitions and other reasonable unanticipated events on cost effective and attractive terms.

Matched principal trades have no contractual settlement date and are complete only when both sides of the transaction are settled. Therefore, the Company's exposure to liquidity risk is not significant.

Note 3. Financial risk management (continued)

The following tables show the maturity of the Company's liabilities as at 31 December 2018 and 31 December 2017:

	On demand £'000	Less than 3 months £'000	3 months to 1 year £'000	More than 1 year £'000	Total £'000
31 December 2018					
Creditors	(1,859,971)	(117,467)	(3,588)	-	(1,981,026)
Provisions for liabilities	-	-	(111)	-	(111)
Clearing overdraft	(11,956)	-	-	-	(11,956)
	(1,871,927)	(117,467)	(3,699)	-	(1,993,093)
31 December 2017					
Creditors	(2,840,052)	(40,435)	(10,114)	-	(2,890,601)
Provisions for liabilities	-	(277)	(231)	-	(508)
Clearing overdraft	(128)	-	-	-	(128)
	(2,840,180)	(40,712)	(10,345)	-	(2,891,237)

Capital management

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

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

The regulatory capital level is set in accordance with the FCA's capital requirements. The approach is to hold an appropriate surplus over the minimum. TP ICAP plc evaluates at the Company level the risks facing the business, to determine whether its capital is sufficient to cover any expected losses.

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

Note 4. Administrative costs

	Year ended 31 Dec 2018 £'000	Period ended 31 Dec 2017 £'000
Wages and Salaries (Note 5)	24,919	18,261
Other staff costs	251	221
Other pension costs (Note 5)	95	63
Social security costs (Note 5)	3,510	2,723
Travel and Entertainment	689	685
Market and data telecom expenses	6,442	4,210
Other	245	847
Professional fees	265	199
Movement in provision for trade receivables	645	544
Charitable donations	474	427
Recharges	28,361	14,296
Introductory fees	18,642	-
	84,538	42,476

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

Fees payable for the audit of the financial statements were £150,380 (2017: £146,000)

Note 5. Salary and Payroll costs

Staff costs borne by the Company comprise:

	Year ended 31 Dec 2018 £'000	Period ended 31 Dec 2017 £'000
Wages and salaries	24,919	18,261
Social security costs	3,510	2,723
Other pension costs	95	63
Total employee benefits expense	28,524	21,047

The monthly average number of persons employed by the Company during the year was 84, comprising of 84 brokers and nil support staff (31 December 2017: 83, comprising 75 brokers and 8 support staff).

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

Note 6. Directors Remuneration

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

	Year ended 31 Dec 2018 Total £'000	Year ended 31 Dec 2018 Highest Paid Director £'000	Period ended 31 Dec 2017 Total £'000	Period ended 31 Dec 2017 Highest Paid Director £'000
Aggregate emoluments	1,907	763	1,884	967
Contributions to defined benefit contribution pension schemes	13	-	9	-
	1,920	763	1,893	967

As at 31 December 2018, no retirement benefits are accruing to Directors (2017: nil) under defined contribution schemes sponsored by TP ICAP plc.

Note 7. Other operating income / (expenses)

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

Note 8. Interest receivable and similar income

	Year ended 31 Dec 2018 £'000	Period ended 31 Dec 2017 £'000
Interest receivable from Group companies	1,205	672
External interest income	303	-
	1,508	672

Note 9. Interest payable and similar expenses

	Year ended 31 Dec 2018 £'000	Period ended 31 Dec 2017 £'000
Bank loans and overdrafts	2	2

Note 10. Income tax

Analysis of charge for the year/period:

Note 10. Income tax (continued)

	Year ended 31 Dec 2018 £'000	Period ended 31 Dec 2017 £'000
Current tax		
UK Corporation tax	3,639	2,176
Deferred tax - origination and reversal of temporary differences	81	(1)
Adjustment recognised for prior periods	127	-
Overseas tax - current year/period	43	67
Adjustments in respect of prior years deferred tax	(94)	-
Aggregate income tax expense	3,796	2,242
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	81	(1)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	29,720	11,263
Tax at the statutory tax rate of 19%	5,647	2,140
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses not deductible for tax purposes	108	102
Non-taxable income	(1,995)	-
	3,760	2,242
Adjustment recognised for prior periods	127	-
Prior year adjustment to deferred tax	(94)	-
Deferred tax at different rates	3	-
Income tax expense	3,796	2,242
Effective tax rate	12.1%	19.9%

In the UK, legislation to reduce the corporation tax rate from 20% to 19% from 1 April 2017 and from 19% to 17% from 1 April 2020 has been enacted. UK deferred tax will therefore unwind at a rate of 19% for periods from 1 April 2017 to 31 March 2019 and at a rate of 17% thereafter.

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

	Year ended 31 Dec 2018 £'000	Period ended 31 Dec 2017 £'000
Amounts credited directly to equity		
Deferred tax assets	(61)	-

Note 10. Income tax (continued)

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Capital allowances	16	23
Other timing differences	20	-
	36	23
Amounts recognised in equity:		
IFRS 9 adjustment	61	-
Deferred tax asset	97	23
Movements:		
Opening balance	23	22
Credited/(charged) to profit or loss	(81)	1
Credited to equity	61	-
Prior year adjustment	94	-
Closing balance	97	23

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Provision for income tax		
Provision for income tax	2,839	2,828

Note 11. Dividends received

	Year ended 31 Dec 2018 £'000	Period ended 31 Dec 2017 £'000
Dividends received from subsidiaries	10,500	-

Note 12. Non-current assets - Investment in subsidiaries

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Investment in subsidiaries	261,974	261,974
Additions	9,012	-
	270,986	261,974

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Note 12. Non-current assets - Investment in subsidiaries (continued)

The Company owns 100% of the ordinary shares in ICAP Holdings (UK) Limited an investment holding company. During the period an additional share was purchased in ICAP Holdings (UK) Limited for an investment of £9,012,000.

The subsidiaries of ICAP Holdings (UK) Limited, which are incorporated in England and Wales, are as follows:

Name	Principal activity	Percentage Indirectly held %
ICAP WCLK Limited	Inter-dealer broker	100%
ICAP Energy Limited	Agency broker in commodity derivatives	100%
ICAP Global Derivatives Limited	Money broker	100%
The Link Asset and Securities Company Limited	Equity derivatives broker	100%

Note 13. Non-current assets - Other financial assets

The non-current financial asset classified as fair value through other comprehensive income (FVOCI) in the prior year represents £39,758,000 of gilts with a maturity date of 22nd July 2019. These are being shown as a current asset in 2018 (Note 16).

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Financial assets measured FVOCI	-	39,758

Note 14. Current assets - Debtors

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Agency trade debtors	16,385	11,145
Matched principal trade debtors	1,862,578	2,842,544
Less expected credit loss / provision for trade receivables	(2,555)	(808)
	1,876,408	2,852,881
Other Debtors	638	643
Deposits paid for securities	113,218	40,175
Prepayments and accrued income	224	233
	114,080	41,051
Loan owed by immediate parent company	39,859	37,722
Amounts owed by group related companies	3,607	2,586
Less expected credit loss	(220)	-
	43,246	40,308
	2,033,734	2,934,240

Matched principal transactions are those where the Company acts as principal in the simultaneous commitment to sell securities between third parties. Such trades have no contractual settlement date and are complete only when both sides of the transaction are settled. Substantially all matched principal debtors settle within a short period of time, usually within three days of trade date.

Note 14. Current assets - Debtors (continued)

The Company acts as an intermediary between our customers for collateralised stock lending transactions. Such trades are complete only when both the collateral and stock for each side of the transaction are returned. The gross amounts of collateral due to and receivable are disclosed in the balance sheet as deposits paid for securities borrowed and deposits received for securities loaned Note 16.

The majority of net trade debtors which aren't impaired are held with high quality credit institutions.
The Company's exposure to credit risk is discussed within the strategic report on page 2.

As at 31 December the following trade debtors were unsettled:

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Less than 30 days but not yet due	3,996	2,156
Over 30 days but less than 90 days and past due	4,261	2,683
Over 90 days and past due date	5,573	5,498
	13,830	10,337

Note 15. Current assets - Cash and cash equivalents

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Cash at bank and in hand	9,889	3,899
Restricted funds	2,462	2,277
Short term bank deposits	17,380	2,935
Less expected credit losses provision	(73)	-
	29,658	9,111

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

Restricted funds are comprised of cash held with clearing houses, or financial institutions providing the Company with access to a clearing house, and funds set aside for regulatory purposes, but excluding client money. The funds represent cash for which the Company does not have immediate and direct access or for which regulatory requirements restrict the use of the cash.

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Cash and cash equivalents (including restricted funds)	29,658	9,111
Clearing overdraft (Note 18)	(11,956)	(128)
Total	17,702	8,983

Note 16. Current assets - Other financial assets

Financial asset classified as fair value through other comprehensive income (FVOCI) represents £39,082,000 of gilts with a maturity date of 22nd July 2019. These were shown as non-current in the prior year (Note 13).

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Financial assets measured at FVOCI	39,197	-
Less expected credit loss	(29)	-
	39,168	-

Note 17. Current liabilities - Creditors: amounts falling due within one year

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Matched principal trade creditors	1,850,543	2,841,598
Deposits received for securities loaned at fair value	113,225	40,175
Other creditors	28	260
Amounts owed to Group companies	16,494	7,533
Accruals	736	1,035
	1,981,026	2,890,601

Note 18. Current liabilities - Bank loans and overdrafts

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Bank overdraft	11,956	128

The clearing overdraft is for operational use and not for working capital so any costs relating to this are included within clearing costs.

Note 19. Current liabilities - Provisions

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Other provisions	111	508

	As at 31 December 2018 £'000	As at 31 December 2018 £'000
As at beginning of the year/period	508	-
Reclassed from accruals in the year	-	1,281
Utilised during the year/period	(397)	(773)
As at the end of the year/period	111	508

The provision balance is in relation to an expected severance payment

Note 20. Equity - Issued capital

	As at 31 Dec 2018 Shares	As at 31 Dec 2017 Shares	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Ordinary shares of £1 each	351,331,106	351,331,105	351,331	351,331

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

Note 21. Equity - Dividends

Dividends paid during the financial year were as follows:

	Year ended 31 Dec 2018 £'000	Period ended 31 Dec 2017 £'000
Dividend paid on 18 September 2018 of approximately £0.03 per share	11,000	-

Note 22. Guarantees and contingent liabilities

a) On 18 September 1998, the Company granted a fixed and floating charge in favour of the Bank of New York over all the Company's assets under their control in respect of a Securities Clearing Agreement.

b) On 27 June 2016, the Company granted a fixed and floating charge in favour of NatWest Bank over shares, stocks and other securities held in the Company's name within the Crest Settlement Systems.

c) On 18th September 2017, the Company granted a further fixed and floating charge in favour of NatWest Bank over shares, stocks and other securities held in the Company's name within the Crest Settlement Systems. This arrangement was transferred from a related company, ICAP WCLK Limited.

d) On 19 December 2018, the Attorney General's office of Frankfurt wrote to the Company to notify it that administrative offence proceedings have been initiated against the ICAP Securities Limited. The administrative offence proceedings against ICAP Securities Limited are in connection with a criminal investigation against a former Director of ICAP Securities Limited who is accused of aiding and abetting tax evasion between 2007 and 2008. Pursuant to the letter, ICAP Securities Limited may be subject to a corporate administrative fine and the earnings that ICAP Securities Limited derived from the potential criminal offence may be confiscated. External lawyers have been instructed to represent ICAP Securities Limited and to seek access to the Attorney General's case file. Initial assessments of the potential level of fine and confiscation of earnings for ICAP Securities Limited is between £2 - £2.5 million.

Note 23. Events after the reporting period

On the 27 March 2019, ICAP Securities Limited issued one share to ICAP Global Broking Holdings Limited for a consideration of £6,000,000.

There have been no further post balance sheet events from 31 December 2018 up to the date of signing which require separate disclosure.

Note 24. Immediate and ultimate parent company

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

The Company's ultimate parent is TP ICAP plc, which is incorporated in England and Wales, and heads the largest and smallest group of companies of which the Company is a member. TP ICAP plc prepares consolidated financial statements in accordance with IFRS. Copies of TP ICAP plc financial statements are available from the registered office: Floor 2, 155 Bishopsgate, London, EC2M 7UR.