ADM Investor Services International Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2019

Company Registration No. 02547805

ADM Investor Services International Limited

COMPANY INFORMATION

DIRECTORS	M Boulaie S P Jackson T R Kadlec D C O'Hegarty F J D Somerville-Cotton
SECRETARY	D C O'Hegarty
COMPANY NUMBER	02547805
REGISTERED OFFICE	4th Floor Millennium Bridge House 2 Lambeth Hill London EC4V 3TT
AUDITOR	Ernst & Young LLP 25 Churchill Place London E14 5EY
BANKERS	JP Morgan Chase Bank 1 Chaseside Bournemouth BH7 7WH

The Directors present their Strategic Report of ADM Investor Services International Limited (Company Registration No. 02547805) for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
The Company is a wholly owned subsidiary of Archer Daniels Midland (UK) Limited.

The Company's principal activity is to act as an Institutional and Corporate brokerage business in the Commodities and Securities Markets. ADMISI specialises in managing, executing and clearing primarily Exchange cleared listed derivatives, Futures and Options for clients. Our primary products are commodity futures and options, financial and equity futures and options, foreign exchange and fixed income derivatives. These products are offered for investment businesses who are predominantly hedging, trading, or both. There have been no significant changes to the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely changes in the Company's activities or focus in the coming year.

The Company is regulated by the Financial Conduct Authority (FCA) to conduct activities regulated by the Financial Services and Markets Act 2000.

The Company has a subsidiary company, ISI Nominees Limited, which acts as nominee for ADM Investor Services International Limited in respect of securities registered in its name.

The Company returned to profit in 2019 following a period of extensive investment in the business including a substantial remediation project to address AML, Financial Crime and Sanctions controls. The business has recovered well from this period of disruption and has strong underlying momentum. ADMISI continues to win good quality new business and the Directors anticipate that this will continue in 2020.

The Company is well positioned to manage Brexit (albeit that the advent of the Covid-19 global pandemic has superseded this as the primary macro issue) and has limited exposure to European customers. The certainty provided by the December General Election in the UK brought welcome clarity and was an immediate driver of improved business volumes. The Directors are assessing the feasibility of opening an office in the EU during 2020 to ensure continuity of service of existing business and to support marketing to potential new European clients within the EU itself. This will remain in a holding pattern until the Covid-19 pandemic situation becomes clear.

The Company continues to operate a small branch office in Gibraltar. The development of the business from the Company's branch office has continued to grow steadily throughout 2019. The Directors expect to invest further in this office during 2020 as the scale of the sales activity increases.

The Company's balance sheet remains strong and the Company continues to meet all regulatory capital requirements. The Company continues to enjoy the support of the ADMIS Group of companies and an exceptionally strong sole shareholder the Archer Daniels Midland Company (ADM).

KEY PERFORMANCE INDICATORS
The Company's performance overall was significantly improved versus the previous year.

Gross profit increased by 10%. Net interest earnings increased by 32%. Underlying markets performed sporadically during the year with pockets of volatility interspersed with longer periods of reduced volatility and transaction volumes as geopolitical events around trade and Brexit weighed on investor sentiment. Higher interest rates, particularly US dollar rates, boosted earnings. A continuation of the proactive management of margin finance facilities for trade customers and careful control of total credit facilities saw an improved Return on Credit (ROC). This was driven almost entirely by our commodity trade customers who remain a key contributor to overall revenues. The ADMISI core business is primarily commodity based, and therefore largely a US dollar denominated business. Profitability was supported by a reasonably robust USD throughout 2019. Business volumes continued to be unpredictable with periods of volatility interspersed with noticeable slowdowns as investors struggled to contend with geopolitical uncertainty and a general tightening of central bank monetary policy.

KEY PERFORMANCE INDICATORS (CONTINUED)

Customer origination was encouraging during the period with the Company able to on board some significant new business. The pipeline of potential new business is strong and continues to grow into 2020.

Customer funds rose strongly in 2019 as the business returned to growth. Customer funds were £1,091 million at the balance sheet date (2018: £881 million). The number of customer accounts was 1,286 at the balance sheet date. 52 new customer accounts were opened during the year.

Administrative costs continued to reduce in 2019, falling by 8% as a period of significant additional investment in technology and operational processes began to return to a more business as usual level. The Company invested heavily in new technology to underpin the new operating and compliance frameworks to ensure that the improvements are fully embedded and will remain robust for the foreseeable future. This work is now largely complete and expenditure is expected to settle at more normalised levels in the future.

The Company is required to maintain an adequate level of financial resources, in accordance with rules set by its regulator, the Financial Conduct Authority. The Company reviews the usage of capital on an ongoing daily basis and has implemented a structured programme of improvements to reduce regulatory capital requirements and transact business in a more efficient manner. The utilisation of margin facilities offered to trade customers in regard to their hedging remains a key part of our business strategy. The Directors continue to carefully monitor this area; the number of, and the total amount of approved facilities continued to be reduced during the year with returns strictly monitored and seen to be increasing in line with the internal expectation for a meaningful ROC.

PRINCIPAL RISKS AND UNCERTAINTIES

In keeping with the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. However, a number of sub-committees focus on components of these risks, including an Enterprise Risk Management Committee, a Market Risk Committee and a Credit Risk Committee. All these governance functions enjoy Board Director participation at all times. The policies set by the Board of Directors are implemented by the Company's risk and finance departments. These departments have policy and procedural guidelines that set out specific methods to manage credit risk and liquidity risk. The Directors have considered the exposure of the Company to price risk, credit risk, market risk, liquidity risk, operational risk, business risk and interest rate risk, in order that an overall assessment can be made of the Company's assets, liabilities, its financial position and its results for the year.

Additionally, consideration is given to operational risk and ongoing regulatory change. The Company has continued to operate a continuous improvement approach across the entire corporate governance framework throughout the year with key Committees becoming further embedded in the business supported by high quality and experienced personnel. The Committee structure is reviewed on an ongoing basis by the Directors to ensure that the company is following best corporate governance practice and maintaining regulatory compliance.

The Company does not trade for its own account. Price risk is therefore not a primary concern. Credit risk and market risk do arise from customer trading activities and positions. The majority of transactions are executed in markets with adequate liquidity and on Recognised Investment Exchanges, cleared through authorised Central Cleared Counterparties. Individual client trading limits and position limits are in place where necessary, in order to control exposures to credit risk and adverse market price movements. Liquidity risk is managed on a daily basis to ensure that the Company has adequate funding available to meet its obligations. The Company continues to invest in technology investment in risk management and related platforms to further enhance the visibility of intraday risk generated by our clients trading activities and margin requirements. This significant investment is illustrative of our continuing strategy to invest heavily in technology to improve systems and controls across all aspects of the business over the long term.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

In order to ensure the stability of cash flows and hence manage interest rate risk the Company has a policy of maintaining the majority of its financing at fixed rates where possible or based on applicable money market rates plus a margin. The Company has enhanced its treasury management function further during the reporting period with the addition of a dedicated treasury manager. The Company has financing available from a Group undertaking, ADM International Sarl, on a money market plus margin interest rate basis. The Company does not use financial derivative instruments to manage interest rate costs and therefore no hedge accounting is applied.

BREXIT AND REGLATORY MATTERS

The Board of Directors and key Committees have given extensive consideration to the likely future developments that may impact on the business. They have reflected in detail on the possible impact of Brexit. The high level assessment is that Brexit will have limited immediate detrimental effect on ADMISI's profitability. The global nature of our customers and the non-dependence on mainland Europe insulates ADMISI to a significant extent from potential passporting issues. The Directors consider Brexit issues regularly and will continue to do so as events unfold. Regulatory changes and continued regulatory compliance remain at the forefront of the Directors concerns and focus. ADMISI has successfully implemented MIFID II and the GDPR; and other regulatory changes will continue to affect the business including the Senior Managers and Certification Regime (SM&CR) and the Investment Firms Review. These regulatory challenges and the associated compliance requirements will always remain a primary focus for ADMISI. Any self-generated developments may involve proposals to grow the business either through organic growth, strategic alliance or adjacent acquisition.

OUTLOOK FOR 2020 & FUTURE DEVELOPMENTS

The Company has undergone a period of transformative change in its risk management, compliance, finance and operational processes and is well positioned to grow its' business. The Company has a significant pipeline of new business and the Directors are confident that the client base will continue to grow. The challenges of evolving regulation and compliance are making it increasingly difficult for smaller business to meet regulatory expectations and ADMISI is in the advantageous position of having sufficient scale to meet these challenges. This allows the Company to win clients that are either being discarded from the Tier 1 players on grounds of scale or poor return on equity, or clients that are no longer able to be supported by the smaller brokerage firms that lack the critical mass to operate in a much increased cost base environment. The Directors do not anticipate any material changes in the principal activities of the business. The Directors consider the Company is well placed to meet the future demands on the business and realise the opportunities in the marketplace as they arise.

COVID-19

At the time of writing the world is being overwhelmed by the impact of the COVID-19 virus.

ADM as one of the largest global food processing companies is at the forefront of endeavouring to deliver nutrition to the world. ADMISI has seen a significant increase in business volumes in the short term but there is likely to be an adverse impact on business as the world economy is being disrupted and interest rates reduce to near zero. Our primary focus and responsibility currently is to keep our colleagues safe and support our clients to the best of our ability. At the time of writing the UK is in lockdown and ADMISI like nearly all businesses is operating a remote working procedure. This situation may endure for many weeks and perhaps months, ADMISI is prepared for this. Notwithstanding these challenges the Directors are confident that the Company is well placed to weather this period of unparalleled challenge with a strong balance sheet and robust regulatory capital ratios.

The Directors view the medium and long-term prospects of the Company with considerable optimism. 2020 will undoubtedly be a unique challenge but ADMISI remains positive, well placed to seize the initiative and grow once the Covid-19 crisis recedes and the world economy starts to recover.

The Company's Pillar 3 disclosure can be found at www.admisi.com.

This report was approved by the board of Directors on 17 April 2020

Signed on behalf of the board:

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FJD Somerville-Cotton
DIRECTOR

Dated 17 April 2020

ADM Investor Services International Limited

DIRECTORS' REPORT

For the year ended 31 December 2019

The Directors present their report together with the financial statements of ADM Investor Services International Limited (Company Registration No. 02547805) for the year ended 31 December 2019, which have been prepared in accordance with the provisions of the Companies Act 2006.

RESULTS AND DIVIDENDS

The details of the profit for the year are set out in the income statement on page 12. The profit of £2,894,121 (2018: loss £1,841,790) has been transferred to reserves. The Directors proposed and paid a dividend of £Nil (2018: £Nil) to Archer Daniels Midland (UK) Limited.

GOING CONCERN

The Directors have recently conducted a further review of the Company as a going concern, and are satisfied to report positively on this matter. The review considered the adequacy of capital reserves, the liquidity available for business operations, and the future prospects for the Company in accordance with its strategy. The Company will continue to maintain financial resources in excess of its regulatory requirements. At 31 December 2019 the Pillar 1 requirement was £30.2 million (2018: £37.2 million) compared to actual resources of £85.4 million (2018: £85.4 million).

Earnings in 2019 have returned to more normal levels. The Directors are confident in the medium and long term prospects for the business.

DIRECTORS

The following Directors have held office since 1 January 2019:

M Boulaie
S P Jackson
T R Kadlec
D C O'Hegarty
F J D Somerville-Cotton

CHARITABLE DONATIONS

In the financial year, the Company made charitable contributions of £15,000 (2018: £15,000)

EMPLOYEE INVOLVEMENT

Employees are provided with information about the Company from the Human Resources and Compliance departments. Regular meetings are held between management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the Company through incentive payments and bonuses, which are related to the results.

DISCLOSURE 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 enquires of fellow Directors and the auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

RE-APPOINTMENT OF AUDITORS

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the re-appointment of Ernst & Young LLP as auditor of the Company.

This report was approved by the board of Directors on 17 April 2020

Signed on behalf of the board:

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S P Jackson
DIRECTOR

Dated 17 April 2020

ADM Investor Services International Limited
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 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 the affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and 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

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADM INVESTOR SERVICES INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of ADM Investor Services International Limited for the year ended 31 December 2019 which comprise Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 30, 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its 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 below. 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.

Emphasis of matter - Effects of COVID-19

We draw attention to Note 30 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting the financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

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.

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

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 9, 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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Andrew Bates (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 April 2020

ADM Investor Services International Limited

INCOME STATEMENT

For the year ended 31 December 2019

	Notes	2019 £	2018 £
TURNOVER	6	37,274,168	40,065,269
Interest receivable and similar income	9	20,023,969	15,045,706
Cost of sales	7	(23,380,240)	(25,277,237)
Interest payable and similar charges	10	(5,397,165)	(4,000,951)
GROSS PROFIT		28,520,732	25,832,787
Administrative expenses		(24,371,686)	(26,358,536)
Impairment losses	17	(80,900)	(1,212,657)
OPERATING PROFIT/(LOSS)	8	4,068,146	(1,738,406)
Interest payable on subordinated loan	10	(330,338)	(302,613)
Interest payable on credit facility agreement	10	-	(243,177)
Interest payable on lease liabilities	10	(105,673)	-
PROFIT/(LOSS) BEFORE TAX		3,632,135	(2,284,196)
Taxation	13	(738,014)	442,406
PROFIT/(LOSS) AFTER TAX		2,894,121	(1,841,790)

Turnover and operating loss are derived from the Company's continuing operations.

ADM Investor Services International Limited
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 £	2018 £
Profit/(Loss) for the financial year		2,894,121	(1,841,790)
Other comprehensive income:			
Items that cannot be reclassified to profit or loss:			
Fair value movements of FVOCI investments – net of tax	13,16	41,500	-
Tax on items relating to components of other comprehensive income	13	(2,852)	29,902
OTHER COMPREHENSIVE INCOME FOR THE YEAR		38,648	29,902
TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) FOR THE YEAR		2,932,769	(1,811,888)

ADM Investor Services International Limited

BALANCE SHEET
As at 31 December 2019

Company Registration No.02547805

	Notes	2019 £	2018 £
NON-CURRENT ASSETS			
Intangible assets	14	224,240	224,240
Tangible assets	15	10,031,776	124,242
Investments	16	1,488,500	1,438,500
Deferred tax asset	21	75,053	120,363
		11,819,569	1,907,345
CURRENT ASSETS			
Debtors	17	641,097,807	616,182,590
Cash at bank and in hand		23,423,483	60,852,584
		664,521,290	677,035,174
CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR	19	(578,629,454)	(593,010,089)
NET CURRENT ASSETS		85,891,836	84,025,085
TOTAL ASSETS LESS CURRENT LIABILITIES		97,711,405	85,932,430
CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR	20	(16,664,409)	(7,849,997)
NET ASSETS		81,046,996	78,082,433
CAPITAL AND RESERVES			
Called up share capital	25	32,000,000	32,000,000
Fair value reserve		1,127,157	1,085,657
Share-based payments reserve	26	709,939	627,342
Profit and loss account		47,209,900	44,369,434
SHAREHOLDERS' FUNDS		81,046,996	78,082,433

The financial statements on pages 12 to 51 were approved by the board of Directors on 17 April 2020

Signed on its behalf by:

F J D Somerville-Cotton
DIRECTOR

S P Jackson
DIRECTOR

ADM Investor Services International Limited
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Called up share capital £	Fair value reserve £	Share-based payments reserve £	Profit and loss account £	Total £
1 January 2018	32,000,000	1,085,657	718,468	46,198,069	80,002,194
Loss for the financial year	-	-	-	(1,841,790)	(1,841,790)
Other comprehensive income for the year	-	-	-	29,902	29,902
Total comprehensive expenditure for the year	-	-	-	(1,811,888)	(1,811,888)
Charge for share-based payments for the year	-	-	218,680	-	218,680
Impact of ADM recharge	-	-	(326,553)	-	(326,553)
Transfer to profit and loss account	-	-	16,747	(16,747)	-
	-	-	(91,126)	(16,747)	(107,873)
31 December 2018	32,000,000	1,085,657	627,342	44,369,434	78,082,433
Profit for the financial year	-	-	-	2,894,121	2,894,121
Other comprehensive income for the year	-	41,500	-	(2,852)	38,648
Total comprehensive income for the year	-	41,500	-	2,891,269	2,932,769
Charge for share-based payments for the year	-	-	330,881	-	330,881
Impact of ADM recharge	-	-	(299,087)	-	(299,087)
Transfer to profit and loss account	-	-	50,803	(50,803)	-
	-	-	82,597	(50,803)	31,794
31 December 2019	32,000,000	1,127,157	709,939	47,209,900	81,046,996

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

ADM Investor Services International Limited is incorporated and domiciled in England and Wales. The company is registered in England (Company Registration No. 02547805). The principal activity of the company is to act as a managing, clearing and executing broker for clients carrying out commodity and financial futures, equities and options investment business and trading, foreign exchange business, and broking in fixed income products.

2 BASIS OF PREPARATION

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with UK GAAP FRS 101 (Financial Reporting Standard) Reduced Disclosure Framework.

These financial statements have been prepared on a going concern basis and in accordance with FRS 101 Reduced Disclosure Framework. They have been prepared under the historical cost convention modified to include fair value accounting for certain financial instruments in accordance with applicable accounting standards.

The company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group. The company does not produce consolidated financial statements as these are produced by its ultimate parent undertaking, Archer-Daniels-Midland Company (ADM).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of *IFRS 2 Share-based Payment*, because the share-based payment arrangement concerns the instruments of another group entity; on the grounds that equivalent disclosures are included in the consolidated financial statements of its ultimate parent undertaking, Archer-Daniels-Midland Company.

(b) the requirement in paragraph 38 of *IAS 1 Presentation of Financial Statements* to present comparative information in respect of:
 (i) paragraph 79(a)(iv) of *IAS 1*;
 (ii) paragraph 73(e) of *IAS 16 Property, Plant and Equipment*;
 (iii) paragraph 118(e) of *IAS 38 Intangible Assets*;

(c) the requirements of paragraphs 10(d), 10(f), 39(c) of *IAS 1 Presentation of Financial Statements;*

(d) the requirements of *IAS 7 Statement of Cash Flows;*

(e) the requirements of paragraphs 30 and 31 of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;*

2 BASIS OF PREPARATION (Continued)

(h) the requirements of paragraph 17 of *IAS 24 Related Party Disclosures;* and the requirements in IAS 24 to disclose related party transactions between two or more members of a group, provided that any subsidiary which is a party to the transactions entered into is wholly owned by such a member; and

(i) the requirements of paragraphs 130(f) (ii), 130 (f)(iii),134(d)-134(f) and 135(c)-135(e) of *IAS 36 Impairment of Assets*, on the grounds that equivalent disclosures are included in the consolidated financial statements of its ultimate parent undertaking, Archer Daniels-Midland Company.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 New and amended standards and interpretations

Effective 1 January 2019, the company adopted IFRS 16 Leases which replaces IAS 17 Leases.

3.1.1 IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use assets and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

The company has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for 2018 reporting period, as permitted under the modified retrospective approach. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 3.1.2 below.

The following new standards and amendments became effective as at 1 January 2019:

- *IFRS 16 Leases*
- *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments*
- *Amendments to IFRS 9 Prepayment Features with Negative Compensation*
- *Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures*
- *Amendments to IAS 19 Plan Amendment, Curtailment or Settlement*
- *Annual IFRS Improvement Process*
    - *i) IFRS 3 Business Combinations - Previously held Interests in a joint operation*
    - *ii) IFRS 11 Joint Arrangements - Previously held Interests in a joint operation*
    - *iii) IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity*
    - *iv) IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation*

The company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1.2 Impact on lessee accounting

Former operating leases

IFRS 16 changes how the company accounts for leases previously classified as operating leases under IAS 17 which were off-balance sheet.

IFRS 16 requires a lessee to present right-of-use assets separately from other assets and lease liabilities separately from other liabilities. The separate presentation is required either in the statement of financial position or as disclosure in the notes to the financial statements. In these financial statements, the 'Rights-of-use assets' are included within the 'Tangible assets' line and are disclosed separately in the note 27. The related lease liabilities were presented in 'Amount falling due within one year' and 'Amounts falling due after one year' in the statement of financial position and are disclosed separately in the notes 19, 20 and 27.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

3.1.2 Impact on lessee accounting (Continued)

IFRS 16 requires that the interest expense on lease liabilities and the depreciation charge for the right-of-use asset are presented separately in the statement of profit or loss. The interest expense on lease liabilities is a component of interest payable and depreciation charge for the right-of-use is a component of administrative expenses in the statement of profit or loss and are disclosed separately in the notes 8, 10 and 27.

Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets.* This replaces the previous requirement to recognise a provision for onerous lease contracts.

For a short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers or office furniture), the company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the profit or loss.

The company did not have any lease contracts in the previous year that were classified as finance lease under IAS 17.

3.1.3 Financial impact of IFRS 16 adoption

Impact on assets and liabilities as at 1 January 2019 was the following:

	IFRS 16 adoption adjustment
	£
Tangible assets	1,137,586
Right-of-use assets	1,137,586
Total assets	1,137,586
Creditors: Amounts falling due within one year	740,865
Creditors: Amounts falling due after more than one year	396,721
Total liabilities	1,137,586

The lease expenses in 2019 were disclosed in note 27.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 FOREIGN CURRENCY TRANSLATION

The presentation currency of the company is Great British Pounds (GBP), which is also the company's functional currency. The company has a foreign operation, the Gibraltar Branch, the activities of which are based in a functional currency of GBP. The functional currency of the company and its foreign operation are determined based on the primary economic environment in which the entity operates.

Foreign currency monetary assets and liabilities are translated into the functional currency at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Any foreign exchange differences are taken to the income statement in the year in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are carried on the balance sheet and translated into the functional currency at historical rates of exchange determined using the period end rate of exchange for the period in which they were acquired. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.
The company follows a five-step model for revenue recognition that focuses on the transfer of control: 1) identify the contract with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract and 5) recognise revenue when (or as) the company satisfies a performance obligation.

The revenue recognition rules for different streams of revenue in the company are described below:

Clearing and execution income
Clearing and execution income are derived from its principal activity wholly undertaken in the United Kingdom and is attributable to acting as managing, clearing and executing broker for clients. Revenue is recognised on the trade date, being the trade date that the company commits to purchase or sell the financial assets.

Commission sharing agreement
Revenue is recognised upon receipt of payment which is considered to be when the service has been completed. The income arises from monies allocated to the company periodically by fund managers. Revenue is allocated to the company when the amounts are notified and paid by the fund manager.

Custody income
Revenue is recognised at the end of the month when the custody fee is charged.

Interest receivable and similar income
Revenue is recognised as interest accrues.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 INTANGIBLE ASSETS AND AMORTISATION

Under IFRS 3 Business combinations goodwill is not amortised. Consequently, the company does not amortise goodwill but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability nor can the pattern in which goodwill diminishes be known.

Goodwill and intangibles have been initially measured at the carrying amounts that would have been reported in the financial statements of the company. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the company's cash generating units (CGU). Each unit to which goodwill is allocated represents the lowest level within the company at which the goodwill is monitored for internal management purposes.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with a finite life are amortized over their expected useful lives as following:
Customer list 5 years straight-line

4.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings – right-of-use assets	2 and 10 years
Leasehold improvements	3 - 5 years
Computer equipment	2 years
Fixtures & fittings	2 - 6 years

The carrying values of tangible fixed assets are reviewed for impairment in periods when events or changes in circumstances indicate that the carrying value may not be recoverable.

4.5 FINANCIAL INSTRUMENTS

4.5.1 Initial recognition of financial instruments

The company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost (AC),
- Fair value through other comprehensive income (FVOCI),
- Fair value through profit or loss (FVPL).

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial liabilities are classified, at initial recognition, as financial liabilities measured at amortised cost or at FVPL.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 FINANCIAL INSTRUMENTS (CONTINUED)

4.5.1 Initial recognition of financial instruments (continued)

The company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the company changes its business model for managing financial assets. Financial liabilities are never reclassified. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs. Purchases and sales of financial instruments are recognised on the trade date, being the trade date that the company commits to purchase or sell the financial instruments.

4.5.2 Subsequent measurement of financial instruments

The subsequent measurement of financial instruments depends on their classification, as described below:

Financial assets measured at amortised cost

The company measures financial assets at amortised cost if both of the following conditions are met: 1) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost include: collateral paid presented in trade debtors, amounts owed by group undertakings, other debtors and cash at bank. Such assets are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets measured at FVOCI (equity instruments)

Upon initial recognition, the company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment. The company elected to classify irrevocably its non-listed equity investments under this category. Fair value changes of the investments at FVOCI are recognised in the fair value reserve in other comprehensive income.

Financial assets designated at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading. Assets are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes: foreign exchange open spot and forward, contracts for difference, exchange traded derivatives which are presented in the trade debtors and in amounts owed by group undertakings.

Financial liabilities at amortised cost

After initial recognition, such liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. This category applies to collateral received presented in trade creditors, amounts owed to group undertakings, interest-bearing loans and borrowings, other financial liabilities.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 FINANCIAL INSTRUMENTS (CONTINUED)

4.5.2 Subsequent measurement of financial instruments (continued)

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. This category includes: foreign exchange open spot and forward, contracts for difference, exchange traded derivatives which are presented in the trade creditors and amounts owed to group undertakings.

4.5.3 Client money

As required by the UK FCA's Client Assets Sourcebook rules, the company maintains certain balances on behalf of clients with banks, clearing houses and brokers in segregated accounts. The assets and related liabilities to clients, whose recourse is limited to segregated accounts, are not included in the balance sheet as the company is not beneficially entitled thereunto.

4.5.4 Offsetting of financial instruments

Financial assets and financial liabilities are presented on a gross basis unless the company has a current legally enforceable right to set off the financial asset and financial liability and the company intends to settle the financial asset and financial liability on a net basis.

4.5.5 Derecognition

A financial asset is primarily derecognised when: 1) the rights to receive cash flows from the asset have expired or 2) the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either a) the company has transferred substantially all the risks and rewards of the asset, or b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

4.5.6 Impairment of financial assets

IFRS 9 requires the company to record an allowance for ECLs for all assets held at amortised cost or at fair value through other comprehensive income. Equity instruments are not subject to impairment under IFRS 9. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

In accordance with the general approach, ECLs are recognised based on either 12-month ECLs or lifetime ECLs. For credit exposures where there have not been significant increases in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

A client is on default if it fails to pay its margin call. A default event is essentially a failure to make margin calls payment.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market (or most advantageous market, in the absence of a principal market) as at balance sheet date.

In determining the fair value of its financial instruments, the company uses various valuation techniques. Based on the observability of the inputs used in those techniques, the financial instruments are classified and disclosed according to the fair value hierarchy in the following categories:

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments and exchange traded derivatives.

Level 2
Inputs other than quoted prices included within level 1 that are observable for the asset or liability or unobservable inputs that are corroborated by market data.

Level 3
Inputs for the asset or liability that are not based on observable market data (unobservable inputs not corroborated by market date) such as equity investments and debt instruments with significant unobservable components.

Investments are subject to a fair value review each year. The fair value is determined by reference to the current price offered by certain purchasers to current shareholders. Where the management of the company believe that is it not possible to disclose a range of estimates within which the fair values are likely to lie due to shares being in an inactive market, the investments are held at cost. Investments in unquoted shares have been valued with reference to a range of recently traded prices.

4.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

4.8 LEASES

4.8.1 Policy applicable from 1 January 2019

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases for low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The depreciation starts at the commencement date of the lease.

The company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 LEASES (CONTINUED)

4.8.1 Policy applicable from 1 January 2019 (continued)

The right-of-use assets are presented within 'Tangible assets' in the statement of financial position and are disclosed separately in the note 27.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented under "Amounts falling due within one year" and "Amounts falling due after more than one year" in the statement of financial position and is disclosed separately in the notes 19, 20 and 27.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the incremental borrowing rate) and by reducing the carrying amount to reflect the lease payments made.

Lease expenses

The interest expense on lease liabilities is a component of interest payable and depreciation charge for the right-of-use is a component of administrative expenses in the statement of profit or loss and are disclosed separately in the notes 8, 10 and 27.

4.9 EMPLOYEE BENEFITS

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. Contributions are charged to the income statement as they become payable in accordance with the rules of the schemes.

4.10 SHARE-BASED PAYMENTS

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met with the amount changing according to the number of awards expected to vest.

The cumulative expense recognised for equity–settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not recognised for the award is recognised immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the income statement.

The company has recharge agreements with certain group companies in respect of the share-based payment schemes whereby, the company is charged for the benefit of share-based compensation.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 DEFERRED TAXATION

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:

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

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

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

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

4.12 STATEMENT OF CASH FLOW

As described in the basis of preparation, the company is exempt under FRS 101 Reduced Disclosure Framework from the requirement to prepare a statement of cash flow.

4.13 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 Reduced Disclosure Framework from the requirement to disclose transactions with fellow group undertakings where 100% of the voting rights are controlled within the Group.

Other related party balances have been disclosed in the relevant notes.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The items in the financial statements where these judgements and estimates have been made include:

BONUS PAYMENT

Bonus is calculated on profitability of the company. Distribution to employees is based on individual performance and at the discretion of the directors.

TAXATION

Uncertainties exist with respect to the amounts of current tax expected to be paid or recovered due to the interpretation of tax legislation, changes in tax regulations, and the amount and timing of future taxable income, resulting in the establishment of provisions by the company depending upon reasonable estimate of the outcome to treatment of certain transactions by the responsible tax authority. The amount of current tax provisions is based on factors, such as experience of previous tax assessments and differing interpretations of tax laws by the company and the tax authority in the country of operation.

The directors exercise judgement in determining the amount of deferred tax assets that can be recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

SHARE-BASED PAYMENTS

The cost of equity-settled transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

MEASUREMENT OF THE EXPECTED CREDIT LOSS ALLOWANCE

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires a number of significant judgements such as determining criteria for significant increase in credit risk, choosing appropriate models and assumptions and for the purpose of measuring ECL and grouping of financial assets based on shared risk characteristics for losses measured on a collective basis.

PROVISIONS AND CONTINGENT LIABILITIES

The company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. When the company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the company records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. Given the subjectivity and uncertainty of determining the probability and amount of losses, the company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

LEASES

Application of IFRS 16 requires significant judgements and certain key estimations which, among others, include identifying whether a contract includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised, determination of the appropriate rate to discount the lease payments, assessment of whether a right-of-use asset is impaired.

6 TURNOVER

TURNOVER BY AREA OF ACTIVITY	2019 £	2018 £
Clearing and execution income	37,214,993	39,786,698
Commission sharing agreements	59,175	278,571
	37,274,168	40,065,269

7 COST OF SALES

	2019 £	2018 £
Brokerage and market fees	15,289,297	15,018,064
Rebates and incentive costs	7,949,302	10,119,100
Other variable costs	141,641	140,073
	23,380,240	25,277,237

8 OPERATING PROFIT/(LOSS)

	2019 £	2018 £
This is stated after charging/(crediting):		
Amortisation of intangible assets		
- Customer list	-	224,238
Depreciation of tangible assets		
- Owned assets	69,249	116,075
- Right-of-use assets	873,445	-
Loss on foreign exchange transactions	1,769,879	573,523
Impairment losses	80,900	1,212,657
Auditor's remuneration		
- Audit fee	223,075	225,011
- Audit related assurance services	106,546	94,730
- Other assurance services	-	4,537

Included in the audit fee is an amount of £40,600 (2018: £40,000) borne by the ultimate parent Company.

9 INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Income from Group undertakings	2,970,543	1,891,225
Bank interest	923,341	476,193
Interest receivable from counterparties	16,130,085	12,678,288
	20,023,969	15,045,706

10 INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£	£
On amounts payable to Group undertakings	542,316	41,522
Bank interest	-	7
Interest payable to counterparties	4,854,849	3,959,422
Interest payable on subordinated loan	330,338	302,613
Interest payable on credit facility agreement with Group undertaking	-	243,177
Interest payable on lease liabilities	105,673	-
	5,833,176	4,546,741

11 DIRECTORS' EMOLUMENTS

	2019	2018
	£	£
Emoluments	839,041	784,081
Company pension contributions to defined contribution schemes	34,322	62,305
	873,363	846,386

	Number	Number
The number of directors for whom retirement benefits are accruing under defined contribution pension schemes was:	3	3
The number of directors who exercised share options during the year was:	-	-

	£	£
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments	341,077	333,338
Company pension contributions to defined contribution pension schemes	10,000	25,447

The highest paid Director exercised share options during the year and also received shares under the Group's long term incentive scheme.

The emoluments disclosed relate to all the directors except two (2018: two). These directors hold management positions in other group companies. It is considered that there is no appropriate basis to apportion the remuneration between their services as directors of this company and positions held in other group companies. Disclosure in respect of this remuneration, where applicable, is given in the relevant group companies' financial statements.

12 EMPLOYEES

Number of Employees	2019 Number	2018 Number
The average monthly number of employees (including directors) during the year was:		
Sales and broking	50	59
Administrative	81	79
	131	138

EMPLOYMENT COSTS	2019 £	2018 £
Wages and salaries	9,384,902	9,133,167
Social security costs	1,813,875	1,321,673
Pension costs - defined contribution scheme	725,983	598,043
Share-based payments expense	330,881	218,680
	12,255,641	11,271,563

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in an independently administered fund. The pension contribution payable as at 31 December 2019 was £Nil (2018: £Nil).

13 TAXATION

	2019 £	2018 £
CURRENT TAX		
Current tax charge	706,950	20,496
Group relief receivable	-	(501,415)
Double taxation relief	(85,012)	-
UK current year tax	621,938	(480,919)
Prior year adjustment	27,644	(29,058)
Foreign tax - current year	44,743	32,206
Foreign tax - prior year	3,690	-
TOTAL CURRENT TAX CHARGE/(CREDIT)	698,015	(477,771)
CURRENT TAX CHARGE/(CREDIT) (SOCE)	6,041	(20,496)
DEFERRED TAX		
Deferred tax charge for current year	44,092	45,714
Effects of changes in tax rates and laws	(403)	(7,949)
Deferred tax adjustments for prior years	(3,690)	(2,400)
DEFERRED TAX CHARGE (Note 21)	39,999	35,365
DEFERRED TAX CHARGE/(CREDIT) (SOCE) (Note 21)	5,311	(9,406)
TOTAL TAX CHARGE/(CREDIT) THROUGH P&L	738,014	(442,406)
TOTAL TAX CHARGE/(CREDIT) THROUGH SOCE	11,352	(29,902)

13 TAXATION (CONTINUED)

FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than the effective rate of UK corporation tax 19 % (2018 – 19%) as explained below:		
Profit/(loss) before taxation	3,632,135	(2,284,196)
Profit/(loss) before taxation multiplied by the effective rate of UK corporation tax of 19% (2018 – 19%)	690,106	(433,997)
Effects of:		
Fixed asset differences	-	-
Transfer pricing adjustments	-	-
Non-deductible expenses	20,667	30,998
Adjustment for prior years	27,644	(29,058)
Adjustment for change in tax rates	(403)	(10,349)
	47,908	(8,409)
TOTAL TAX CHARGE/(CREDIT)	738,014	(442,406)

Nature of activities	UNITED KINGDOM		GIBRALTAR	
	Managing, clearing and executing broker for clients carrying out commodity and financial futures, equities and options investment business and trading, foreign exchange business, and broking in fixed income products		Managing for clients carrying out commodity and financial futures, equities and options, investment business and trading and foreign exchange business	
	2019 £	2018 £	2019 £	2018 £
Turnover	35,984,187	39,014,445	1,289,981	1,050,824
Employees	124	136	2	2
Profit/(loss) before tax	3,184,704	(2,643,155)	447,431	358,959
Tax on profits	-	-	-	-

14 INTANGIBLE ASSETS

	Goodwill	Customer lists	Total
	£	£	£
COST			
1 January 2019 and 31 December 2019	224,240	1,009,078	1,233,318
AMORTISATION AND IMPAIRMENT			
1 January 2019	-	1,009,078	1,009,078
Charge for the year	-	-	-
31 December 2019	-	1,009,078	1,009,078
NET BOOK VALUE			
31 December 2019	224,240	-	224,240
31 December 2018	224,240	-	224,240

Amortisation of intangible assets is included in administrative expenses.

The company performed its annual impairment test as at December 2019 and 2018. The recoverable amount of the CGU has been determined based on a value-in-use calculation using a ten year cash flow projection. As a result of this analysis, the Directors did not identify impairment for the goodwill amount

The calculation of value in use is most sensitive to the following assumptions:

- Income (net of variable costs) from transactions undertaken by customers increasing initially by 11.2% per annum from 2020 and reducing to 5% thereafter (2018: 10.7% increasing to 10% and then reducing to 5% in each year),
- A pre-tax discount rate applied of 6.64% per annum (2018: 6.7%).

The Directors do not believe there will be any impairment resulting from this review.

15 TANGIBLE ASSETS

	Leasehold improvements	Buildings – right-of-use	Computer equipment (including right-of-use)	Fixtures & fittings	Total
	£	£	£	£	£
COST					
1 January 2019	378,190	-	939,252	905,503	2,222,945
Impact of IFRS 16 adoption (right-of-use)	-	1,052,315	85,271	-	1,137,586
1 January 2019 (restated)	378,190	1,052,315	1,024,523	905,503	3,360,531
Additions	-	9,712,642	-	-	9,712,642
31 December 2019	378,190	10,764,957	1,024,523	905,503	13,073,173
DEPRECIATION					
1 January 2019	378,190	-	925,882	794,631	2,098,703
Charge in the year	-	829,500	57,315	55,879	942,694
31 December 2019	378,190	829,500	983,197	850,510	3,041,397
NET BOOK VALUE					
31 December 2019	-	9,935,457	41,326	54,993	10,031,776
1 January 2019 (restated)	-	1,052,315	98,641	110,872	1,261,828
31 December 2018	-	-	13,370	110,872	124,242

Right-of-use assets include buildings with the cost of £10,764,957, accumulated depreciation of £829,500 and net book value of £9,935,457 (1 January 2019: cost of £1,052,315 and net book value of £1,052,315) and computer equipment with the cost of £85,271, accumulated depreciation of £43,945 and net book value of £41,326 (1 January 2019: cost of £85,271 and net book value of £85,271. Right-of-use movements are disclosed in note 27.

16 INVESTMENTS

Investments at FVOCI:

	LME Holdings Limited	ISI Nominees	Total
	£	£	£
31 December 2018	1,437,500	1,000	1,438,500
Revaluation	50,000	-	50,000
31 December 2019	1,487,500	1,000	1,488,500

Details of the investments are as follows:

Company	Principal activity	Registered address	Class	Shares held %
ISI Nominees Limited	Nominee holder of investments	4th Floor Millennium Bridge House 2 Lambeth Hill London EC4V 3TT	Ordinary	100
LME Holdings Limited	Holder of investment in The London Metal Exchange	10 Finsbury Square London EC2A 1AJ	'B' shares	1.83

Income tax effect on revaluation amounted to £8,500 (2018: Nil).

Movement on the fair value reserve net of tax amounted to £41,500 (2018: Nil) and was credited to OCI.

17 DEBTORS

	2019	2018
	£	£
Trade debtors	540,578,413	406,089,415
Impairment losses	(2,113,903)	(1,221,442)
Amounts owed by Group undertakings	83,203,189	196,002,902
Corporation tax	-	501,415
Other debtors	19,430,108	14,810,300
	641,097,807	616,182,590

Trade debtors and amount owed by Group undertakings includes derivatives with a fair value of £310,523,895 (2018: £374,455,459) and cash margin receivable of £312,745,075 (2018: £226,299,922).

Impairment losses:	2019 £	2018 £
At 1 January	(1,221,442)	(8,785)
Additional provision	(80,900)	(1,447,874)
Amounts recovered	-	235,217
Reclassification of prior year impairment from accruals	(811,561)	-
As at 31 December	(2,113,903)	(1,221,442)

18 CLIENT MONEY

The company maintains certain balances on behalf of clients with banks, clearing houses and brokers in segregated accounts in accordance with the Financial Conduct Authority's (FCA's) Clients Assets Sourcebook rules.

The balance as the 31 December 2019 which is not recognised in the balance sheet was £633,530,430 (2018: £469,563,196).

19 CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Trade creditors	323,777,061	334,760,957
Amounts owed to Group undertakings	248,832,307	254,074,670
Corporation tax	642,464	-
Lease liabilities	701,450	-
Other creditors	210,402	126,118
Accruals	4,465,770	4,048,344
	578,629,454	593,010,089

Included within trade creditors and amounts owed from Group undertakings are derivatives with a fair value of £278,315,583 (2018: £378,743,086) and cash margin payable of £203,834,329 (2018: £209,465,225).

Amount owed to Group undertakings includes a credit facility of £84,559,989 (2018: £Nil).

20 CREDITORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR:

	2019	2018
	£	£
Lease liabilities	9,113,410	-
Amounts owed to Group undertakings	7,550,999	7,849,997
	16,664,409	7,849,997

The amounts owed to Group undertakings include a subordinated loan of £7,549,999 and a liability of £1,000 due to other group entity.

A subordinated loan of USD 10,000,000 (£7,549,999) was introduced on 2 March 2017 and incurs interest at a rate of the one month LIBOR plus 2.00%. It has a repayment term of 10 years.

The lease liabilities are disclosed in the Leases note (Note 27).

21 DEFERRED TAX ASSET

	2019	2018
	£	£
Opening balance	120,363	146,322
Charged to income statement	(39,999)	(35,365)
Charged/(credited) to other comprehensive income	(5,311)	9,406
Closing balance	75,053	120,363

The deferred tax asset is made up as follows:	2019	2018
	£	£
Fixed assets	(9,350)	(49,121)
Capital allowances	97,443	152,859
Share-based payments	133,285	116,054
Expense adjustments trade	(1,819)	-
Unrealised gains due to revaluations	(170,392)	(161,893)
Tax credit and loss carried forward	25,886	62,464
	75,053	120,363

The enactment of Finance Act 2016 contained legislation to reduce the main rate of corporation tax to 17% with effect from 1 April 2020. As this change was substantively enacted at the prior year balance sheet date, deferred tax is recognised at 17% in the current and prior period.

22 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	IFRS 9 measurement category	2019 Carrying values	2018 Carrying values
		£	£
Trade debtors:			
Foreign exchange open spot and forward	FVPL	27,655,783	28,797,149
Contracts for difference	FVPL	43,368,437	48,037,934
Exchange traded derivatives	FVPL	190,067,436	195,679,295
Collateral paid	AC	279,486,757	133,575,037
		540,578,413	406,089,415
Amounts owed by Group undertaking:			
Foreign exchange open spot and forward	FVPL	2,347,409	723,069
Contracts for difference	FVPL	-	-
Exchange traded derivatives	FVPL	47,084,830	101,218,012
Collateral paid	AC	33,258,318	92,724,885
Other	AC	512,632	1,336,936
		83,203,189	196,002,902
Investments	FVOCI	1,488,500	1,438,500
Other debtors	AC	18,243,861	13,885,102
Cash and cash equivalents	AC	23,423,483	60,852,584
		666,937,446	678,268,503

FINANCIAL LIABILITIES	IFRS 9 measurement category	2019 Carrying values	2018 Carrying values
		£	£
Trade creditors:			
Foreign Exchange open spot and forward	FVPL	24,104,782	31,935,058
Contracts for difference	FVPL	26,101,546	48,869,451
Exchange traded derivatives	FVPL	150,923,547	204,946,051
Collateral received	AC	122,647,186	49,010,397
		323,777,061	334,760,957
Amounts owed to Group undertaking:			
Foreign exchange open spot and forward	FVPL	331,836	750,822
Contracts for difference	FVPL	-	-
Exchange traded derivatives	FVPL	76,853,872	92,241,704
Collateral received	AC	81,187,143	160,454,827
Credit facility – short term	AC	84,559,989	-
Other group creditors	AC	5,900,467	628,317
Loan payable - subordinated loan	AC	7,549,999	7,848,997
		256,383,306	261,924,667
Other creditors and accruals	AC	4,676,172	4,168,624
Lease liabilities	AC	9,814,860	-
		594,651,399	600,854,248

22 FINANCIAL INSTRUMENTS (Continued)

Derivative financial instruments

The company has entered into the following non-regular way transactions that are accounted for as derivative transactions

2019	Positive fair value	Notional value relating to positive fair values	Negative fair value	Notional value relating to negative fair values
	£	£	£	£
Foreign exchange open spot and forward	30,003,192	1,448,483,880	24,436,618	1,613,276,419
Contracts for difference	43,368,437	342,328,617	26,101,546	405,165,815
Exchange traded derivatives	237,152,266	14,322,328,457	227,777,419	17,400,807,483
	310,523,895	16,113,140,954	278,315,583	19,419,249,717

2018	Positive fair value	Notional value relating to positive fair values	Negative fair value	Notional value relating to negative fair values
	£	£	£	£
Foreign exchange open spot and forward	29,520,218	704,901,357	32,685,880	996,671,266
Contracts for difference	48,037,934	230,375,666	48,869,451	254,679,030
Exchange traded derivatives	296,897,307	6,033,234,723	297,187,755	15,004,832,726
	374,455,459	6,968.511,746	378,743,086	16,256,183,022

The difference between the positive and negative fair values of exchange traded derivatives represents the cash held at Clearing Houses/Brokers.

22 FINANCIAL INSTRUMENTS (Continued)

Financial instruments not measured at fair value

A comparison by category of carrying values and fair values of all the company's financial instruments not measured at fair value is presented below:

	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
	£	£	£	£
Trade debtors – collateral paid	279,486,757	279,486,757	133,575,037	133,575,037
Amounts owed by Group undertaking – collateral and other	33,770,950	33,770,950	94,061,821	94,061,821
Other debtors	18,243,861	18,243,861	13,885,102	13,885,102
Cash and cash equivalents	23,423,483	23,423,483	60,852,584	60,852,584
	354,925,051	354,925,051	302,374,544	302,374,544
Trade creditors – collateral received	122,647,186	122,647,186	49,010,397	49,010,397
Amounts due to Group undertaking – collateral and other	87,087,610	87,087,610	161,083,144	161,083,144
Group credit facility	84,559,989	84,559,989	-	-
Subordinated loan	7,549,999	7,549,999	7,848,997	7,848,997
Lease liabilities	9,814,860	9,814,860	-	-
Other creditors	4,676,172	4,676,172	4,168,624	4,168,624
	316,335,816	316,335,816	222,111,162	222,111,162

23 RISK MANAGEMENT

The main risks arising from the company's financial instruments are operational risk, credit risk, liquidity risk, market risk which includes interest rate risk, foreign currency risk and price risk.

Operational risk

The company is aware that there are many risks of an operational nature both internal and external, which could affect its business. A framework has been developed to identify, monitor, and report upon any incidences which may occur. This is a continuous process which receives an appropriate level of management attention. One quantifiable area of operational risk relates to transactional and/or administrative errors. During 2019, such errors amounted to £127,488 (2018: £134,611).

Credit risk

Financial risk management

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and investment securities.

The main source of credit risk is counterparty credit risk, and it is monitored on a daily basis. The company is exposed to credit risk from a counterparty to a financial instrument transaction during the period between the trade date and the settlement date.

Counterparty risk arises primarily from two activities:

- customers that trade financial instruments with the company
- the company executes trades through local brokers.

The company has policies in place that require appropriate credit checks on potential customers before transactions are initiated. Counterparty exposure limits are reassessed periodically by management. Some customers are provided with credit facilities to cover an agreed amount of margin requirement which for certain trade customers is unsecured. The amount of unsecured credit in use at 31 December 2019 was £41,561,031 (2018: £36,197,693), all of which is unrated.

The company enters into legal agreements, such as the International Swap and Derivatives Association, Inc. ("ISDA") agreements or equivalent (referred to as "Master Netting Agreements"), with some of its counterparties. Master Netting Agreements allow netting of receivables and payables and reduce losses that would potentially be incurred as a result of a counterparty default. The company further reduces its exposure to credit risk by entering into collateral agreements. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Exposure to credit risk

The company's maximum exposure to credit risk at the balance sheet date is disclosed below as gross assets before netting, based on the carrying amount of the financial assets the company believes is subject to credit risk, without taking account of any collateral held or other credit enhancements. In addition to the trading assets disclosed below, the company had a maximum credit exposure to banks in respect of cash held of £23,423,483 as at balance sheet date (2018: £60,852,584).

Collateral is held in respect of financial assets valued at fair value through profit or loss (FVPL). The company also holds non-cash collateral from counterparties which amounted to £360 million (2018: £349 million) as at year end held in the company's own name and a further £2 million (2018: £5 million) of non-cash collateral held in the name of ISI Nominees to which the company has beneficial ownership. Non-cash collateral is rehypothecable although the company has not posted any with counterparties (2018: Nil). The exercise of collateral would lead to a significant reduction in the potential loss in value of the corresponding financial asset in the event of a counterparty default.

23 RISK MANAGEMENT (Continued)

Credit risk (Continued)

Exposure to credit risk (Continued)

Other credit enhancements include netting agreements which provide protection to reduce the risks of counterparty default and, in some cases, offset the company's exposure with the same counterparty, which provides a more meaningful presentation of credit exposure on the balance sheet. The master netting agreements table on page 43 also shows the net derivative position recognised on balance sheet following netting adjustments made in accordance with IAS 32.42.

Recognition and measurement of expected credit losses

On initial recognition, the credit loss allowance/provision must be equal to twelve months' expected credit losses. This is calculated by multiplying the probability of a default occurring in the next twelve months by the total lifetime expected credit losses that would result from that default.

If the credit risk increases significantly since initial recognition this amount will be replaced by lifetime expected credit losses.

The financial instruments are categorized in the following stages to calculate expected credit losses:

Stage 1: Financial instruments whose credit quality has not significantly deteriorated since their initial recognition. The impairment represents the present value of expected credit losses that will result if a default occurs in the 12 months after the reporting date (12 months expected credit losses).

Stage 2: Financial instruments whose credit quality has significantly deteriorated since their initial recognition. Stage 2 is any exposure where the account has been on call for 5 to 10 business days.

Stage 3: Financial instruments for which there is objective evidence of an impairment as at the reporting date. Stage 3 is any exposure where the account has been on call for more than 10 days.

For financial instruments in stage 2 and 3, an impairment is recognized at the present value of the expected credit shortfalls over their remaining life (lifetime expected credit loss).

Identifying a significant increase in credit risk

The company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria has been met:

- Increase in the remaining lifetime PD
- Significant adverse changes in business or results of the customers.

Inputs, assumptions and estimation techniques used for recognition and measurement of ECL

Expected Credit Loss (ECL) is calculated by multiplying three components: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) defined as follows:

EAD – Exposure at Default which is the amount of money that is invested in certain financial instrument that is exposed to the credit risk.

LGD – Loss Given Default is a share of the asset that would be lost in the event of default. Loss Given Default has been set at 100% in all cases.

23 RISK MANAGEMENT (Continued)

Credit risk (Continued)

Inputs, assumptions and estimation techniques used for recognition and measurement of ECL (Continued)

PD – Probability of Default represents likelihood of a default of a counterparty over an observed period, usually 12 months. For stage 1 when credit risk is low, a 12-month PD can be used to estimate probability of default in the next 12 months. For stage 2 and 3, the PD is estimated over the remaining life of the financial instrument.

In order to determine the Probability of Default (PD), the company referred to Article 160 of the Capital Requirements Regulation that provides the basis of regulatory capital calculations and used a 12 month PD of 0.03% for all Stage 1 exposures. For Stage 2 a PD of 1% was used and for Stage 3 we used PD of 100%.

Concentration of credit risk

The company's concentrations of risk of financial assets measured at FVPL are managed by credit exposure of individual counterparty, geographical region and sector/market. The concentrations of risk of collateral paid, other debtors and cash and cash equivalents are managed by individual counterparty.

The following table shows the risk concentration of financial assets measured at FVPL by geographical region.

Total carrying values 2019 by Region

FINANCIAL ASSETS	Asia	Europe	North America	UAE/Africa	Total
FX Open Spot and Forward	306,948	21,959,921	7,736,323	-	30,003,192
Contracts for Difference	7,501	41,865,847	1,347,909	147,180	43,368,437
Exchange Traded Derivatives	74,278,879	77,973,134	35,963,149	48,937,104	237,152,266
	74,593,328	141,798,902	45,047,381	49,084,284	310,523,895

Total carrying values 2018 by Region

FINANCIAL ASSETS	Asia	Europe	North America	UAE/Africa	Total
FX Open Spot and Forward	324,574	28,147,819	1,047,825	-	29,520,218
Contracts for Difference	-	44,055,401	2,948,957	1,033,576	48,037,934
Exchange Traded Derivatives	29,290,726	144,515,801	98,628,197	24,462,583	296,897,307
	29,615,300	216,719,021	102,624,979	25,496,159	374,455,459

23 RISK MANAGEMENT (Continued)

The financial assets recorded in each stage have the following characteristics:

- Stage 1: The credit risk has not increased significantly since their initial recognition on which 12-month ECL is recognised.
- Stage 2: The credit risk has increased significantly since their initial recognition on which lifetime ECL is recognised.
- Stage 3: Objective evidence of impairment exists at the reporting date on which a lifetime ECL is recognised.
- POCI: Purchased or originated credit impaired financial assets on which a lifetime ECL is recognised.

No ECL was recognised in 2019 and in 2018 with respect to debtors valued at amortised cost. The following table presents the carrying amounts of financial assets which were in scope of the ECL model.

	Carrying amount					Expected credit losses				
31 December 2019	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
FINANCIAL ASSETS	£	£	£	£	£	£	£	£	£	£
Trade debtors – collateral paid	279,486,757	-	-	-	279,486,757	-	-	-	-	-
Amounts owed by Group undertaking – collateral and other	33,770,950	-	-	-	33,770,950	-	-	-	-	-
Other debtors	18,243,861	-	-	-	18,243,861	-	-	-	-	-
Cash and cash equivalents	23,423,483	-	-	-	23,423,483	-	-	-	-	-
	354,925,051	-	-	-	354,925,051	-	-	-	-	-

	Carrying amount					Expected credit losses				
31 December 2018	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
FINANCIAL ASSETS	£	£	£	£	£	£	£	£	£	£
Trade debtors – collateral paid	133,575,037	-	-	-	133,575,037	-	-	-	-	-
Amounts owed by Group undertaking – collateral and other	94,061,821	-	-	-	94,061,821	-	-	-	-	-
Other debtors	13,885,102	-	-	-	13,885,102	-	-	-	-	-
Cash and cash equivalents	60,852,584	-	-	-	60,852,584	-	-	-	-	-
	302,374,544	-	-	-	302,374,544	-	-	-	-	-

23 RISK MANAGEMENT (Continued)

Master netting or similar agreements:

	2019				
	Gross Assets/(liabilities) before netting	IFRS Netting with gross liabilities/assets	Net derivative position recognised on balance sheet	Non-derivatives receivables/ payables	Carrying value per balance sheet
	£'000	£'000	£'000	£'000	£'000
Trade debtors and amounts owed by Group undertaking	424,305	(113,781)	310,524	313,258	623,782
	424,305	(113,781)	310,524	313,258	623,782
Trade creditors and amounts due to Group undertaking	(392,097)	113,781	(278,316)	(294,294)	(572,609)
	(392,097)	113,781	(278,316)	(294,294)	(572,609)

	2018				
	Gross Assets/(liabilities) before netting	IFRS Netting with gross liabilities/assets	Net derivative position recognised on balance sheet	Non-derivatives receivables/ payables	Carrying value per balance sheet
	£'000	£'000	£'000	£'000	£'000
Trade debtors and amounts owed by Group undertaking	615,780	(241,325)	374,455	227,637	602,092
	615,780	(241,325)	374,455	227,637	602,092
Trade creditors and amounts due to Group undertaking	(620,069)	241,325	(378,744)	(210,092)	(588,836)
	(620,069)	241,325	(378,744)	(210,092)	(588,836)

23 RISK MANAGEMENT (Continued)

Credit quality of financial assets at balance sheet date:

2019

	Not past due	Past due (0-30 days)	Past due (31-120 days)	Past due (more than 120 days)	Total
	£	£	£	£	£
Trade debtors	537,994,685	122,874	142,302	2,318,552	540,578,413
Amounts owed by Group undertaking	83,203,189	-	-	-	83,203,189
Other debtors	18,243,861	-	-	-	18,243,861
Cash and cash equivalents	23,423,483	-	-	-	23,423,483
	662,865,218	122,874	142,302	2,318,552	665,448,946

2018

	Not past due	Past due (0-30 days)	Past due (31-120 days)	Past due (more than 120 days)	Total
	£	£	£	£	£
Trade debtors	405,689,321	122,673	159,299	118,122	406,089,415
Amounts owed by Group undertaking	196,002,902	-	-	-	196,002,902
Other debtors	13,885,102	-	-	-	13,885,102
Cash and cash equivalents	60,852,584	-	-	-	60,852,584
	676,429,909	122,673	159,299	118,122	676,830,003

The credit quality of financial assets that are neither past due nor impaired is considered by the Directors to be high. Trading counterparties are institutions or corporates; cash and cash equivalents are held with short term maturities with banking institutions of high credit quality.

A provision of £2,113,903 (2018: £1,221,442) has been made for impaired trade debtors measured at FVPL at the balance sheet date. Increase in the provision in 2019 is related to ECL impairment on FVPL debtors (£45,590), default of individual receivables (£35,310) and reclassification of prior year impairment from accruals to debtors (£811,561).

23 RISK MANAGEMENT (Continued)

Liquidity risk

Financial risk management
Liquidity risk is the risk that the firm does not have available, sufficient financial resources to enable it to meet its obligations as they fall due.

The company has a high level of liquidity. Funds are placed on deposit with very short maturities. In addition, the company monitors and evaluates the composition and size of assets and operating liabilities. Assets generally consist of cash and cash equivalents and debtors.

Other than the long term debt, as described below, the company's only funding requirement is for short term finance for its operations and any planned expansions. This is provided by other ADM group undertakings who charge interest on a floating rate basis.

The table below shows the un-discounted maturity profiles of the company's financial liabilities:

Undiscounted maturity profiles of company's financial liabilities

	2019				
	Payable on demand	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
	£	£	£	£	£
Trade creditors	323,777,061	-	-	-	
Amounts owed to Group undertaking	164,271,319	-	-	-	1000
Amounts owed to Group undertaking – credit facility agreement	84,559,989	-	-	-	-
Amounts owed to Group undertaking – subordinated loan	-	68,895	197,672	984,894	8,114,835
Lease liabilities		190,591	828,605	6,190,200	4,333,140
Other creditors	4,676,172	-	-	-	-
	577,284,541	259,486	1,026,277	7,175,094	12,448,975

	2018				
	Payable on demand	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
	£	£	£	£	£
Trade creditors	334,790,957	-	-	-	-
Amounts owed to Group undertaking	254,074,670	-	-	-	1,000
Amounts owed to Group undertaking – subordinated loan	-	87,089	259,879	1,283,746	8,926,601
Other creditors	4,168,624	-	-	-	-
	593,034,251	87,089	259,879	1,283,746	8,927,601

23 RISK MANAGEMENT (Continued)

Market risk

Financial risk management
Market risk represents the risk of loss that may result from a change in value of a financial instrument due to fluctuations in its market price. The company's exposure to market risk arises from customer trading activities, although the company's business model is to act as back-to-back principal. Market risk is inherent in financial instruments.

Market risk – foreign currency risk
The company's exposure to foreign currency risk arises predominantly in US dollars and Euros. The exposure is based on the carrying amount of currency balances as follows:

	2019 £	2018 £
US Dollar	959,517	1,469,494
Euro	213,525	52,072
	1,173,042	1,521,566

The impact of a 10% change these currencies against the Pound Sterling (all other things held constant) on profit or loss would be as follows:

	Impact on profit	
	Increase	Decrease
2019		
US Dollar	(87,229)	106,613
Euro	(19,411)	23,725
2018		
US Dollar	(133,590)	163,277
Euro	(4,734)	5,786

Market risk - interest rate risk
The company has interest bearing liabilities, and the company has a policy of maintaining long term debt at fixed rates, where possible, to ensure certainty of future interest payments.

The company has a funding of £84,559,989 (2018: £Nil) and £7,549,999 (2018: £7,848,997) from another ADM group undertaking, as described in Notes 19 and 20. The interest rate charged is set at one month LIBOR plus 2% and LIBOR plus 0.9% respectively. At the balance sheet date the interest rate profile of the company's interest-bearing financial instruments was:

	2019 £	2018 £
Variable rate instruments		
Subordinated loan	7,549,999	7,848,997
Credit facility agreement	84,559,989	-
	92,109,988	7,848,997

The sensitivity of the income statements to a reasonably possible change in US and UK interest rates (1%), based on the floating rate-non-trading financial assets and financial liabilities held at 31 December 2019, is a gain or loss of $275,000 (2018: gain or loss of $100,000).

23 RISK MANAGEMENT (Continued)

Market risk - price risk
The company has immaterial price risk as transactions executed on behalf of clients are primarily matched on recognised exchanges or with other major investment firms. The company does not undertake proprietary transactions.

Capital management

The company follows its parent undertaking's approach with regard to capital management which is that the group manages its capital to ensure that every entity within the group will be able to continue as a going concern while maximising returns to stakeholders.

The company manages its capital structure and makes adjustments to it in light of changes in economic conditions. There were no significant changes on the company's objectives, policies or processes during the year. When appropriate, the company manages capital using a gearing ratio which is calculated as net debt (intercompany loans less cash and cash equivalents and net current intercompany receivables) divided by capital (equity attributable to the equity holders) plus net debt.

The company will continue to maintain financial resources in excess of its regulatory requirements. As at 31 December 2019 the requirements were £44.1 million (2018: £54.3 million) compared to actual resources of £85.4 million (2018: £85.4 million).

	2019 £	2018 £
Share capital	32,000,000	32,000,000
Profit and loss account	47,209,900	44,369,434
Subordinated loan	7,549,999	7,848,997
Credit facility arrangement	84,559,989	-
	171,319,888	84,218,431

24 FAIR VALUE

Fair value measurement

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market (or most advantageous market, in the absence of a principal market) as at balance sheet date.

In determining the fair value of its financial instruments, the company uses various valuation techniques. Based on the observability of the inputs used in those techniques, the company is required to provide the information set forth in the tables below according to the fair value hierarchy. Financial instruments at fair value have been classified and disclosed in one of the following three categories:

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments and exchange traded derivatives.

Level 2
Inputs other than quoted prices included within level 1 that are observable for the asset or liability or unobservable inputs that are corroborated by market data.

Level 3
Inputs for the asset or liability that are not based on observable market data (unobservable inputs not corroborated by market date) such as equity investments and debt instruments with significant unobservable components.

The carrying amount of cash and cash equivalents, collateral paid and received, amounts owed by and due to group undertakings, other debtors and creditors as well as subordinated loan represents a reasonable approximation of their fair value. The carrying amount and fair value of these instruments are disclosed in Note 22.

Analysis of the financial assets and liabilities recorded at fair value shown in accordance with the fair value hierarchy:

	2019	2018
	£	£
ASSETS		
Level 1		
Exchange traded derivatives	237,152,266	296,897,307
Level 2		
Foreign exchange open spot and forward	30,003,192	29,520,218
Contracts for difference	43,368,437	48,037,934
Level 3		
Unlisted investments	1,488,500	1,438,500
	312,012,395	375,893,959

Level 3 assets consist of LME unlisted investment. LME securities are valued based on the average trade price during the year. The revaluation gain of LME shares in 2019 amounted to £50,000 which increased the value of investments to £1,488,500.

24 FAIR VALUE (Continued)

LIABILITIES	2019 £	2018 £
Level 1		
Exchange traded derivatives	227,777,419	297,187,755
Level 2		
Foreign exchange open spot and forward	24,436,618	32,685,880
Contracts for difference	26,101,546	48,869,451
	278,315,583	378,743,086

25 SHARE CAPITAL

ALLOTTED, CALLED UP AND FULLY PAID	2019 £	2018 £
32,000,000 ordinary shares of £1 each (2018: 32,000,000 ordinary shares of £1 each)	32,000,000	32,000,000

There were no changes in the share capital during the financial year.

26 SHARE-BASED PAYMENTS

INCENTIVE COMPENSATION PLAN

Certain officers and key employees of the company are entitled to participate in the Archer-Daniels-Midland Company 2002 Incentive Compensation Plan. Awards of options and restricted shares are made under this scheme. Options are granted at market value on the date of grant, and vest over five years in equal annual tranches and expire ten years after the date of grant. Restricted shares are granted at no cost to the employee and vest after a three year restriction period.

The vesting period for the options is 5 years with vesting occurring in equal tranches over years 1 to 5. The vesting period for the restricted shares is 3 years. Accelerated vesting terms apply to employees over the age of 53 at the date of grant.

The expense recognisable under IFRS 2 for equity share-based payments in respect of employee services received during the year to 31 December 2019 is £330,881 (2018: £218,680). At the balance sheet date, the share based payments reserve balance amounted to £709,939 (2018: £627,342).

No share options were granted during the year.

27 LEASES

The company has entered into a commercial leases on office buildings. The lease has a duration of 7 years and 10 years with no renewal option included in the contracts. There are no restrictions placed upon the company by entering into the lease. In addition the company entered into a lease for computer equipment which has a duration of 2 years. There are no renewal option included in the contracts.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	Computer equipment	Total
	£	£	£
As at 31 December 2018	-	-	-
Effect of IFRS 16 adoption:	1,052,315	85,271	1,137,586
As at 1 January 2019 (restated)	1,052,315	85,271	1,137,586
Additions	9,712,642	-	9,712,642
Depreciation expense	(829,500)	(43,945)	(873,445)
As at 31 December 2019	9,935,457	41,326	9,976,783

Set out below are the carrying amounts of lease liabilities:

	Buildings	Computer equipment	Total
	£	£	£
As at 31 December 2018	-	-	-
Effect of IFRS 16 adoption:	1,052,315	85,271	1,137,586
As at 1 January 2019 (restated)	1,052,315	85,271	1,137,586
Additions	9,333,965	-	9,333,965
Accretion of interest	104,033	1,640	105,673
Payments	(716,778)	(45,586)	(762,364)
As at 31 December 2019	9,773,535	41,325	9,814,860
Current	660,125	41,325	701,450
Non-current	9,113,410		9,113,410

The maturity analysis of lease liabilities are disclosed in note 23 in these financial statements.

The company had total cash outflows for leases of £910,928 in 2019 (£734,485 in 2018). The company also had non-cash additions to right-of-use assets and lease liabilities of £Nil in 2019 (£Nil in 2018).

The following are the amounts recognised in the income statement in 2019:

	2019
	£
Depreciation expense of right-of-use assets	873,445
Interest expense on lease liabilities	105,673
Income from sublease	(60,200)
Total expense recognised in profit or loss	918,918

28 CONTINGENT LIABILITY

As a regulated investment firm, from time to time, the company is required to deal with inquiries from its UK regulator, the Financial Conduct Authority ('FCA'). Currently, the company is dealing with various inquiries that have been raised by the FCA in relation to the company's regulated activities. It is not presently possible to determine the extent of any financial impact on the company as a consequence of the FCA's inquiries.

The company is the respondent in a claim at the Employment Tribunal where a judgement partially in favour of the claimant has been issued. The extent of any financial settlement has yet to be determined. A provision of £0.44 million has been established in 2019 based on legal advice as to the likely outcome.

29 CONTROL

The company's immediate parent undertaking is Archer Daniels Midland (UK) Limited. The company's ultimate parent undertaking and controlling party is Archer-Daniels-Midland Company, which is incorporated in Delaware, United States of America. The consolidated financial statements of Archer-Daniels-Midland Company are both the smallest and largest consolidated financial statements drawn up for the groups of which the company is a member. Copies of the consolidated financial statements are available upon application to the directors at PO Box 1470, Decatur, Illinois 62525, United States of America.

30 NON-ADJUSTING POST BALANCE SHEET EVENTS

The company is involved in litigation in Germany in respect of claims covering a period from 1999 to 2002. A judgement in favour of the claimants in the sum of €5.3 million was awarded in the District Court in Hamburg in 2018. The company is currently pursuing an Appeal and expects to settle the claims as part of that Appeal process.

Coronavirus (COVID-19)

After the balance sheet reporting date of 31 December 2019, on 11 March 2020, Coronavirus (COVID-19) was recognised as a pandemic by the World Health Organization (WHO). The Company has established a Pandemic Plan and its Pandemic Steering Committee (PSC) meets regularly to assess new information relating to COVID-19. The PSC leads the Company in determining the response level, recommending strategy and disseminating information to staff.

The full extent of the pandemic is as of yet unknown and there is a degree of uncertainty over what the impact on the Company will be. However, to date, the Company's contingency and business continuity arrangements are operating as planned and have ensured operations continue to function effectively. Most employees are working from home with a small number of key workers remaining in the office in compliance with local government mandates and social distancing directives as appropriate and have ceased all travel for work-related activity. It is considered that these arrangements will continue for as long as is required with no detrimental impact on the operations of the business. The Company continues to operate on a business as usual basis.

It is management's assessment that, although any outcome related to the pandemic cannot be dismissed, there is no current indication or reasonable expectation that conditions will exist in the foreseeable future that would threaten the Company's ability to continue as a going concern. In reaching this conclusion consideration has been given to the potential financial and non-financial impacts of the pandemic, including consideration of key indicators, to determine what the severity and downside of a range of future detrimental economic scenarios could be. Potential impacts on the Company's regulatory compliance, liquidity and profit and loss have been considered. Further, the Company has a Credit Facility Agreement with its Parent to the sum of €450 million. Therefore, the Directors have a reasonable expectation that the Company has adequate capital and financial support to continue in operational existence for the foreseeable future and continue to prepare the financial statements on a going concern basis.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. The impact of COVID-19 is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.