FINANCIALS

[GLOBAL CLEARING SOLUTIONS]

G. H. FINANCIALS LIMITED AND SUBSIDIARIES STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

G. H. Financials Limited | 4th Floor | 29 Ludgate Hill | London EC4M 7JR

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Registered in England and Wales. Company Registration No. 02775278

Registered Office Address: 4th Floor, 29 Ludgate Hill, London EC4M 7JR, United Kingdom.

Authorised and regulated by the Financial Conduct Authority

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
COMPANY INFORMATION

Directors	Mark Ibbotson *(Chairman)* Mark Phelps *(Chief Executive Officer)* Robert Levy Benjamin Hepden (appointed 23 May 2020)
Secretary	Marino Luchmun
Company number	02775278
Country of incorporation of parent company	England and Wales
Leg al form	Private Limited Company
Registered office	4th Floor 29 Ludgate Hill London EC4M 7JR United Kingdom **+44 (0)20 7653 6400** **enquiries@ghfinancials.com** **www.ghfinancials.com**
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU United Kingdom
Bankers	Barclays Bank plc 1 Churchill Place Canary Wharf London E14 5HP United Kingdom HSBC Bank plc 8 Canada Square Canary Wharf London E14 5HQ United Kingdom

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
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G. H. FINANCIALS LIMITED AND SUBSIDIARIES
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Directors present their Strategic report for G. H. Financials Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 March 2020.

Review of the business – context, strategy and performance

The principal activity of the Company and the Group is the provision of clearing solutions - including electronic trading access to global derivatives exchanges - to professional clients and eligible counterparties, the clearing and settlement of their trades and the provision of services necessary to support such market activity.

In the UK, the Company is authorised and regulated by the UK's Financial Conduct Authority ("FCA"). In the US, the Group operates through its subsidiary, G. H. Financials, LLC, which is regulated by the Chicago Mercantile Exchange ("CME") as the Designated Self-Regulatory Organisation ("DSRO") on behalf of the Commodity Futures Trading Commission ("CFTC"). The year to 31 March 2020 represented the eighth full year of this subsidiary's activities whose main purpose is to provide a local platform for the expansion of the North American based business. Our newest subsidiary, G. H. Financials (Hong Kong) Limited, obtained its regulated activity licence from the Hong Kong Securities and Futures Commission ("SFC") in December 2013. This past financial year was its sixth full year of licensed activity facilitating our impressive growth in Asian-based business and contributing to the Group's presence across all major time-zones.

At the time of approving the financial statements there continues to be many uncertainties facing the industry, such as the ever-present volatile global political landscape, including the unknowns presented by Brexit. In addition to this, we are in the middle of a global pandemic (COVID-19) which has created wide and far reaching impacts across the UK and global economies. These impacts have included, but are not limited to, global central banks significantly reducing interest rates to historical low levels and unprecedented government support packages being offered to both businesses and individuals. The short-term effects of the pandemic have forced most economies into freefall as a direct result of national lockdowns. As countries have started to, and continue to 'open up' for business, the speed of recovery remains uncertain.

The business has been proactive in managing the various risks that have resulted from COVID-19. The strong technology infrastructure was capitalised upon which allowed the business to continue to operate seamlessly whilst also ensuring that staff were kept safe at all times by working remotely from their homes. During a time of high volatility which in turn resulted in record high volumes, there were significant improvements made to the operational resilience of the business. Furthermore, the already robust risk management practices and internal control systems were enhanced and when required, trading restrictions were also placed on high risk financial and commodity products. This meant that both clients and the business were operating prudently and were protected from any adverse volatility during a time where all markets were extremely unpredictable. All these factors enabled the business to continue to operate efficiently whilst also maintaining the highest levels of customer service to its clients.

The world's financial markets remain open and the business continues to operate well in all three locations with most staff still working remotely. A partial phased return to all regional offices will soon commence in adherence with the local government advice and guidelines. The directors do not foresee any challenges with its operations and therefore its ability to service its clients.

The full global financial impact of COVID-19 is yet to be seen however, the potential impact on revenues, expenses, cashflow and regulatory capital has been considered and continues to be monitored closely. Volume levels remain high, relative to pre-pandemic levels due to the continued volatility in financial markets. This in turn has resulted in strong clearing revenues. There has been no indication of any significant increases in administrative expenses and trade debtor balances remain extremely low due to the daily collection of clearing revenues. The business continues to monitor cashflow and liquidity closely but does not foresee any issues due to its highly liquid balance sheet, very low trade debtor balances and prudent risk management practices which ensures that clients are always sufficiently capitalised. The business also continues to monitor its regulatory capital and ensure that the strong excess capital is unaffected. As a result of the above, regulatory capital is not expected to be materially impacted as a result of recent events.

As a result of there being no material impacts to revenue, costs, cashflow, liquidity and regulatory capital, the Directors are satisfied that the business has not been significantly impacted by COVID-19 and is in a strong position to face any future challenges that may emerge as a result of the continuing fallout from the COVID-19 pandemic. Based on all of the above, there have been no significant impacts on going concern at the time of signing the financial statements.

Industry volumes and liquidity have increased over the last twelve months and in particular over the first quarter of the new financial year due to macro-economic factors such as changes in interest rates and increased volatility in currency, bond and commodity prices. Volatile financial markets have resulted in a marked increase in the use of centrally cleared derivatives. The Group is one of a small number of independent clearing firms with a global footprint that continues to capitalise on this opportunity. The Directors remain cautiously ambitious and continue to invest with confidence by expanding the Group's market access solutions and clearing services for both existing and new clients.

During the year, the Group experienced record levels of volumes of derivatives cleared for its clients and expanded its client base globally with a consistent growth in contribution from its Hong Kong operations. The results for the year and the financial position at the year-end are considered satisfactory by the Directors and we expect continued growth in the foreseeable future due to the Group's strong strategic positioning. Revenue increased 11% year on year due to the increased activity of existing and new clients across multiple exchanges. Net revenue also increased year on year by 6% and this was driven by the mix of client types and the associated direct costs. Overall, the operating profit for the year was satisfactory, given prevailing market conditions, with administrative costs being sensibly contained.

The Group finished the year with net assets of £56.1 million (2019: £52.8 million) which included £52.3 million (2019: £49.7 million) of net current assets. These increases came from the favourable movement in foreign exchange revaluation of its US and Hong Kong operations and the profit reported by Group. The Group maintains a strong, liquid balance sheet and is well placed to achieve its long-term strategy. One of the key performance indicators that supports the liquid nature of the Group balance sheet is the ratio of net current assets to total net assets which was 93% (2019: 94%).

Risk management

The Directors review the Group's business strategy and risk appetite on a regular basis and meet frequently to discuss current projections for profitability and regulatory capital management, business planning and risk management.

The Directors manage the Group's risks though a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim of establishing a well-defined and transparent risk management framework. These policies and procedures are updated as required. Based on this we have designed and implemented a risk management framework that recognises the risks that the business faces. We also determine how those risks may be mitigated and assess, on an on-going basis, the arrangements to manage those risks.

The Directors manage the Group's capital management with regard to local entity regulatory requirements and overall Group requirements. These are discussed in more detail within the unaudited Pillar 3 disclosures included within Appendix I to this report.

The Group has exposure to the following risks:

- Market Risk;
- Counterparty Credit Risk;
- Liquidity Risk;
- Operational Risk; and
- Group Risk.

Risk management (continued)

Market Risk

The Group does not hold any derivatives positions on its own account; all its market activity is carried out on behalf of clients; hence the Group has no position risk in relation thereto. The Group operates globally and uses Sterling as its functional currency and is thus exposed to foreign exchange risk arising from various currency combinations. The majority of the Group's operating expenses are denominated in Sterling; however, income is derived in many currencies (mainly GBP, USD, EUR and HKD). In addition, the Company and the Group's subsidiaries in Hong Kong and Chicago maintain non-Sterling denominated assets and liabilities. Foreign currency-denominated assets and liabilities together with expected cash flows give rise to foreign exchange exposures. Due to changes in global markets currency combinations will also change within a financial year.

Exposures are minimised by matching assets with liabilities and holding material cash balances in Sterling. The Group has the ability to hedge material foreign exchange exposures when the expected benefit outweighs the cost.

Counterparty Credit Risk

The Group has counterparty credit risk exposure to banks with which it deposits its own and client funds and to market counterparties (e.g. exchanges, clearing houses and other clearing firms) with which it transacts and to clients in respect of margin defaults. Clearing counterparties are monitored for credit quality and financial stability and the Group diversifies its concentration risk between institutions wherever feasible. Client counterparty risks are mitigated by clients providing margin in the form of cash collateral in major currencies. Positions are "marked-to-market" daily by each exchange's settlement process, minimising counterparty credit risk. This also helps protect against "Wrong-Way risk" which arises when the likelihood of default by counterparties is positively correlated with general market risk factors.

Client money is held in segregated accounts at major clearing banks whose credit positions are monitored for signs of deterioration.

The Group also ensures that it has access to client trading tools where applicable to set and monitor pre-trade limits. Algorithmic or high frequency trading accounts require additional checks prior to client take-on and are subject to additional monitoring controls. Client exposures are monitored in real-time and a margin call is made should an end of day or intra-day deficit position arise on a client's account.

Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient liquid assets to meet its financial obligations as they fall due. The Group manages liquidity risk by constantly performing a liquidity assessment on its financial position and establishing a liquidity risk tolerance level that is reviewed regularly. This is governed by the Group's Liquidity Risk Assessment Policy that is reviewed annually by the Board. In addition, the Group monitors daily margin requirements from clearing houses and clearing firms to ensure that sufficient funds are received from clients to meet these obligations.

Operational Risk

The Group's operational risk is the risk that losses will arise through failure in processes, personnel, technology or infrastructure or by external forces (including regulation and Brexit) impacting on any of these. These risks are managed through regular assessment as part of the Group's internal risk management procedures, including maintaining a fully up-to-date risk register and Internal Capital Adequacy Assessment Process ("ICAAP"), and contingency planning for how to deal with such risks arising.

Risk management (continued)

Management has assessed the possible impacts from different Brexit scenarios and believes that they are currently not material to the business. However, such risks and scenarios will continue to be monitored. The Group's ICAAP also details expected costs that would be associated with risks that cannot be fully mitigated and these are considered when planning the Group's capital requirement.

The Group is aware of the potential risk because of its revenue exposure to its largest client. The exposure arises from the potential for the client to reduce its trading volumes cleared through the Group which would impact on revenue and profitability of the Group.

Group Risk

The US and Hong Kong subsidiaries' successful operation and the clearing memberships that they hold are a key risk to the overall success of the Group. There is an obligation on the local management of both the US and Hong Kong subsidiaries to run the local entities in a prudent and conservative manner without the expectation of parental support. The subsidiaries are expected to be self-sufficient in terms of their funding in accordance with medium-term capital plans agreed with the Company.

The procedures currently in place in respect of these risks and their management have been deemed appropriate and sufficient by the Board of the Company.

Key Performance Indicators

The Group measures its success through various KPIs including, cleared volumes, turnover and profit generated (see note 5).

Statement in compliance with section 172(1) of Companies Act 2006

The Directors of the Company are acutely aware of the requirement for them to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In considering this duty the Directors consider the following stakeholders:

Shareholders

The Board is committed to openly engaging with our Shareholders, as we recognise the importance of a continuing effective dialogue, whether with private or employee shareholders. As a private company, G. H. Financials Limited ("GHF") has a majority shareholder, who owns 98% of the business. The remaining shareholders are made up of a mixture of private individuals and company executives.
The Directors of the Company ensure that they have regular contact with the majority shareholder through routine telephone calls. In addition to this, an annual Shareholder Strategy Forum is held by the business where all shareholders meet to understand the strategy and the objectives whilst encouraging feedback as required.
These important opportunities for shareholder engagement ensure that the business strategy of GHF is completely aligned with the strategic objectives of the shareholders.

People

The business is committed to being a responsible employer. We recognise that for our business to succeed and to grow we need to manage our people's performance, develop, and bring through talent whilst ensuring that the business always operates as efficiently as possible.
As a regulated Investment Firm, we provide regular training to ensure all employees can meet their responsibilities and perform their roles effectively whilst reflecting the latest FCA rules, regulations, and market practises.

We actively encourage key common employee values through the promotion of the company's corporate values, Innovation, Integrity and Commitment.

Statement in compliance with section 172(1) of Companies Act 2006 (continued)

Meetings of the Executive Directors and the management team are held on a regular basis to discuss all areas of the business including performance and strategy. These meetings allow management to cascade this information down to their teams and ensures that Executive Directors are freely interacting with employees. In addition, the CEO issues monthly business and strategy updates directly to all employees, hosts routine breakfast workshops and 'town hall' gatherings on a quarterly basis. These all encourage open and transparent interaction throughout the business.

Customers

G. H. Financials has built our business and reputation on a relentless focus on customer service - the values and culture of the business has been key to delivering this.

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. In order to do this, we build and maintain strong client relationships. The Group has a modestly sized but varied customer base including high frequency trading firms, proprietary trading groups, hedgers, and other market participants, including non-clearing FCM's.

The business prides itself in being a solutions-oriented partner to its clients, promoting service innovation where possible. Treating customers fairly is a fundamental principle which is ingrained at every level throughout the organisation. The behaviour of employees towards customers is governed by company policy, policy which both adheres to the FCA's requirements and reflects the GHF corporate culture. We view Integrity as crucial to running a successful clearing business, and as such it is one of the GHF core brand values.

Suppliers

We have various key supplier relationships. Working closely in partnership with these suppliers ensures that they are aligned to our business needs, facilitating the smooth running of our business.

Community and the environment

G. H. Financials Limited supports and provides sponsorship to the key industry charities. Employees are encouraged to take part in various charitable events globally which are also supported by the business.

On behalf of the Board

Mark Ibbotson
Chairman
27 July 2020

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Directors present their report and financial statements for the Company and the Group for the year ended 31 March 2020.

Remuneration

Under the FCA's Remuneration Code guidance, the Company is a Proportionality Level 3 Firm, which allows the Company's senior management to dis-apply certain FCA remuneration principles on proportionality when establishing its Remuneration Policy. The Company's Remuneration Policy is determined and administered by the Nomination & Remuneration Committee ("NRC") comprising the Chairman of the Board and the other Non-Executive Director. The NRC is responsible for making recommendations to the Board on the Company's Remuneration Policy.

The NRC also determines the remuneration and other benefits for each of the Executive Directors and other senior employees, including all Remuneration Code Staff (see below) and it determined remuneration awards for the year ended 31 March 2020.

Risk management is fundamentally important to the Company in its provision of clearing and settlement services. The Company has designed and implemented its Remuneration Policy to underwrite and promote effective risk management, consistent with the nature of its business.

The Company's Remuneration Policy takes full account of the Company's strategic objectives and the long-term interests of shareholders and other stakeholders. Its objective is to recognise and reward performance of employees that helps drive the sustainable growth of the Company and to preserve shareholder value by ensuring the successful retention of such employees.

For the year ended 31 March 2020, the Executive Directors reviewed the performance of other employees and based on that review determined the overall level of remuneration for each employee and the split between fixed (base salary) and variable (bonus) remuneration. A number of the Company's employees are identified as Remuneration Code Staff on the basis that they are senior managers and control staff who exercise significant control over the risk profile of the Company. The pay and benefits for these employees are determined by the Company's NRC, considering individual performance and market conditions. The basic salaries of the employees are reviewed annually and when a change of responsibility occurs.

Results and dividends

The Group reported a profit for the year of £2.4 million (2019: £2.1 million) and total comprehensive income of £3.8 million (2019: £4.2 million). There was no interim dividend paid during the year and the Directors do not recommend payment of a final dividend.

Pillar 3 disclosures

Details of the unaudited Group's Pillar 3 disclosures are included within Appendix I to this report.

Country by Country Reporting disclosures

Details of the audited Group's Country by Country Reporting disclosures are included within note 5 of the notes to the financial statements.

IFPRU 9 disclosures

In accordance with IFPRU 9.1.3, the Group's return on assets, calculated as profit for the year divided by total year-end balance sheet net assets is 4.4% (2019: 3.9%).

Post balance sheet events

There were no material post balance sheet events.

Future developments

The Group is continuing to expand its clearing facilities globally to its clients in all locations. The uncertainty surrounding Brexit remains and management continue to assess and monitor any likely impact to the overall business. One potential implication could impact the business' ability to directly clear on continental European markets but the impact to the Group is not considered to be material.

Directors' and Officers' insurance and indemnities

In line with market practice, the Group has in place an annually renewable Directors' and Officers' insurance cover. There are no qualifying third-party indemnity provisions.

Employees

The monthly average number of Group employees was 63 for the year (2019: 61).

Directors

The following Directors have held office since 1 April 2019:

Mark Ibbotson
Mark Phelps
Robert Levy
Benjamin Hepden (appointed 23 May 2020)

Auditors

BDO LLP is deemed to have been reappointed in accordance with section 487 of the Companies Act 2006.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic and Directors' reports and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Statement of Directors' responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Matters of strategic importance

Information is not shown within the Directors' Report as it is included instead within the Strategic Report on pages 3-7 under S414c(11).

Going concern and COVID-19

At the time of signing the financial statements, there have been no significant impacts on going concern as a result of COVID-19. Please see the Strategic Report on Page 3 for further details.

On behalf of the Board

Mark Ibbotson
Chairman
27 July 2020

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF G. H. FINANCIALS LIMITED

Opinion

We have audited the financial statements of G. H. Financials Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Comprehensive Income, Company Statement of Financial Position, Company Statement of Changes in Equity and Company Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in 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 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.

Opinion on other matters prescribed by the Capital Requirements (Country by Country Reporting) Regulations 2013

In our opinion the information given in note 5 to the financial statements for the year ended 31 March 2020 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country by Country) Regulations 2013.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

G. H. FINANCIALS LIMITED AND SUBSIDIARIES INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF G. H. FINANCIALS LIMITED (CONTINUED)

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
27 July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Revenue		282,269,311	255,165,052
Cost of sales		(266,584,645)	(240,315,212)
Net revenue	5	**15,684,666**	**14,849,840**
Operating expenses	6	(14,028,854)	(13,374,398)
Operating profit		**1,655,812**	**1,475,442**
Income from fair value through other comprehensive income assets	9	13,377	12,545
Finance income	10	2,963,320	2,307,553
Finance expenses	11	(1,109,035)	(819,693)
Profit before taxation		**3,523,474**	**2,975,847**
Taxation	12	(1,131,960)	(895,760)
Profit for the year		**2,391,514**	**2,080,087**
Attributable to owners of the parent		**2,391,514**	**2,080,087**

The notes on pages 22 to 60 form an integral part of these financial statements.

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Profit for the year		**2,391,514**	**2,080,087**
Items that are recyclable to profit and loss after tax:			
(Loss)/gain on fair value through other comprehensive income assets	16	(119,809)	169,323
Deferred tax (charge)/credit on change in fair value of fair value through other comprehensive income assets	12	7,476	(67,801)
Exchange difference on translation of foreign operations		1,513,688	1,976,608
Other comprehensive income for the year after tax		**1,401,355**	**2,078,130**
Total comprehensive income for the year after tax attributable to owners of the parent		**3,792,869**	**4,158,217**

The notes on pages 22 to 60 form an integral part of these financial statements.

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020	2019
		£	£
Non-current assets			
Property, plant and equipment	14	3,727,640	503,717
Fair value through other comprehensive income assets	16	2,355,304	2,475,113
Deferred tax asset	12	126,952	172,304
		6,209,896	3,151,134
Current assets			
Trade and other receivables	18	298,525,707	208,377,359
Cash and cash equivalents	19	26,183,984	28,501,203
		324,709,691	236,878,562
Total assets		**330,919,587**	**240,029,696**
Current liabilities			
Trade and other payables	20	(272,355,467)	(187,130,988)
Current income tax	12	(148,227)	(68,237)
		(272,503,694)	(187,199,225)
Non-current liabilities			
Lease liabilities	23	(2,361,064)	-
Total liabilities		**(274,864,758)**	**(187,199,225)**
Net assets		**56,054,829**	**52,830,471**
Equity			
Capital and reserves			
Share capital	22	4,042,044	4,184,533
Share premium		771,867	771,867
Capital redemption reserve		142,489	-
Other reserves		4,154,348	2,752,993
Retained earnings		46,944,081	45,121,078
Total equity attributable to the owners of the Company		**56,054,829**	**52,830,471**

The financial statements were approved by the Board and authorised for issue on 27 July 2020.

Mark Phelps (Director)
Company Registration Number 02775278
The notes on pages 22 to 60 form an integral part of these financial statements.

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH

	Share capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
	Note 22					
Balance as at 31 March 2018	**4,184,533**	**771,867**	**-**	**407,363**	**43,308,491**	**48,672,254**
Profit for the year	-	-	-	-	2,080,087	2,080,087
Other comprehensive income	-	-	-	2,078,130	-	2,078,130
Realisation of valuation losses on fair value through other comprehensive income assets	-	-	-	267,500	(267,500)	-
Total comprehensive income for the year	**-**	**-**	**-**	**2,345,630**	**1,812,587**	**4,158,217**
Balance as at 31 March 2019 as published	**4,184,533**	**771,867**	**-**	**2,752,993**	**45,121,078**	**52,830,471**
Effect of adoption of IFRS 16	-	-	-	-	12,500	12,500
Balance as at 31 March 2019 as restated	**4,184,533**	**771,867**	**-**	**2,752,993**	**45,133,578**	**52,842,971**
Profit for the year	-	-	-	-	2,379,014	2,379,014
Other comprehensive income	-	-	-	1,401,355	-	1,401,355
Total comprehensive income for the year	**-**	**-**	**-**	**1,401,355**	**2,379,014**	**3,780,369**
Shares purchased for cancellation	(142,489)	-	142,489	-	(568,511)	(568,511)
Balance at 31 March 2020	**4,042,044**	**771,867**	**142,489**	**4,154,348**	**46,944,081**	**56,054,829**

The notes on pages 22 to 60 form an integral part of these financial statements.

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	2020		2019	
	£	£	£	£
Operating profit	1,655,812		1,475,442	
Depreciation of property, plant & equipment	697,828		155,088	
(Increase)/Decrease in trade and other receivables	(90,229,082)		25,683,964	
Increase/(Decrease) in trade and other payables	84,533,708		(25,483,631)	
Exchange translation	-		(36,329)	
Cash flows from operations		**(3,341,734)**		**1,794,534**
Tax paid		(982,351)		(629,454)
Interest paid		(1,015,783)		(819,693)
Net cash flows from operating activities		**(5,339,868)**		**345,387**
Investing activities				
Payments to acquire property, plant & equipment	(320,643)		(96,424)	
Repayment of lease liability	(561,791)		-	
Interest received	2,963,320		2,307,553	
Income from fair value through other comprehensive income assets	13,377		12,545	
Proceeds from sale of investments held at fair value	-		1,650,000	
Net cash flows from investing activities		**2,094,263**		**3,873,674**
Financing activities				
Purchase of ordinary shares for cancellation	(568,511)			
Net cash flows from financing activities		**(568,511)**		**3,873,674**
Net movement in cash and cash equivalents in the year		**(3,814,116)**		**4,219,061**
Opening cash and cash equivalents		28,501,203		22,292,855
Net movement in cash and cash equivalents		(3,814,116)		4,219,061
Unrealised exchange movements		1,496,897		1,989,287
Closing cash and cash equivalents		**26,183,984**		**28,501,203**

The notes on pages 22 to 60 form an integral part of these financial statements.

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020	2019
		£	£
Non-current assets			
Property, plant and equipment	14	1,635,270	448,819
Investments in subsidiaries	15	17,272,404	17,272,404
Deferred tax asset	12	270,854	219,296
Fair value through other comprehensive income assets	16	1,325,161	1,547,224
Trade and other receivables	17	3,215,434	3,071,489
		23,719,123	22,559,232
Current assets			
Trade and other receivables	18	107,705,553	96,429,515
Current income tax	12	22,486	-
Cash and cash equivalents	19	14,542,453	17,317,013
		122,270,492	113,746,528
Total assets		**145,989,615**	**136,305,760**
Current liabilities			
Trade and other payables	20	(101,611,600)	(91,367,652)
Current income tax	12	-	(28,658)
		(101,611,600)	(91,396,310)
Non-current liabilities			
Lease liabilities		(841,642)	-
Total liabilities		**(102,453,242)**	**(91,396,310)**
Net assets		**43,536,373**	**44,909,450**
Equity			
Capital and reserves			
Share capital	22	4,042,044	4,184,533
Share premium		771,867	771,867
Capital redemption reserve		142,489	-
Other reserves		(842,564)	(662,693)
Retained earnings		39,422,537	40,615,743
Total equity attributable to the owners of the Company		**43,536,373**	**44,909,450**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement and related notes in these financial statements. The Company loss after tax for the year was £ (624,695) (2019 loss: £ (672,087)). The financial statements were approved by the Board and authorised for issue on 27 July 2020.

Mark Phelps (Director)

Company Registration Number 02775278.

The notes on pages 22 to 60 form an integral part of these financial statements.

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH

	Share capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
	Note 22					
Balance as at 31 March 2018	**4,184,533**	**771,867**	**-**	**(894,288)**	**41,537,830**	**45,599,942**
Loss for the year	-	-	-	-	(672,087)	(672,087)
Other comprehensive income	-	-	-	(18,405)	-	(18,405)
Realisation of valuation losses on fair value through other comprehensive income assets	-	-	-	250,000	(250,000)	-
Total comprehensive income for the year	**-**	**-**	**-**	**231,595**	**(922,087)**	**(690,492)**
Balance as at 31 March 2019	**4,184,533**	**771,867**	**-**	**(662,693)**	**40,615,743**	**44,909,450**
Loss for the year	-	-	-	-	(624,695)	(624,695)
Other comprehensive income	-	-	-	(179,871)	-	(179,871)
Total comprehensive income for the year	-	-	-	(179,871)	(624,695)	(804,566)
Shares purchased for cancellation	(142,489)	-	142,489	-	(568,511)	(568,511)
Balance as at 31 March 2020	**4,042,044**	**771,867**	**142,489**	**(842,564)**	**39,422,537**	**43,536,373**

The notes on pages 22 to 60 form an integral part of these financial statements.

G. H. FINANCIALS LIMITED AND SUBSIDIARIES
COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	2020		2019	
	£	£	£	£
Operating loss	(1,273,185)		(901,367)	
Depreciation of property, plant & equipment	454,047		128,825	
Increase/(decrease) in trade and other receivables	(11,356,773)		37,226,982	
(Decrease)/increase in trade and other payables	9,854,248		(38,066,610)	
Exchange translation	(143,945)		(552,936)	
Cash flows from operations		**(2,465,608)**		**(2,165,106)**
Tax paid		(1,000)		28,855
Interest paid		(508,359)		(882,982)
Net cash flows from operating activities		(2,974,967)		**(3,019,233)**
Investing activities				
Payments to acquire property, plant & equipment	(48,080)		(67,557)	
Repayment of lease liability	(322,938)		-	
Interest received	1,139,924		1,154,418	
Repayments of subordinated loan	-		3,049,926	
Income from FVOCI assets	12		-	
Proceeds from sale of investments held at fair value	-		1,500,000	
Net cash flows from investing activities		768,918		**5,636,787**
Financing activities				
Shares purchased for cancellation	(568,511)		-	
Net cash flows from financing activities		(568,511)		-
Net movement in cash and cash equivalents in the year		(2,774,560)		**2,617,554**
Opening cash and cash equivalents		17,317,013		14,146,523
Net movement in cash and cash equivalents		(2,774,560)		2,617,554
Exchange movements		-		552,936
Closing cash and cash equivalents		**14,542,453**		**17,317,013**

The notes on pages 22 to 60 form an integral part of these financial statements.

1. General information

G. H. Financials Limited (hereafter "the Company") is a private limited company and is both incorporated and domiciled in England and Wales. The address of its registered office is 4th Floor, 29 Ludgate Hill, London, EC4M 7JR, United Kingdom. The financial statements comprise the results of the Company and its subsidiaries (together "the Group"). The financial period represents the year to 31 March 2020. The prior financial period represents the year to 31 March 2019. These consolidated financial statements are presented in GBP £ as that is the currency in which the majority of the Group's transactions are denominated. Except where otherwise indicated, all financial information is presented in GBP £ and rounded to the nearest GBP £.

The continuing activities of the Company and the Group are the provision of clearing solutions - including electronic trading access to global derivatives exchanges - to professional clients and eligible counterparties, the clearing and settlement of their trades and the provision of services necessary to support such market activity. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union ("EU") and the Companies Act 2006 that apply to entities reporting in accordance with IFRS.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements are prepared under the historical cost basis as modified by the measurement of financial assets classified as fair value through other comprehensive income assets and measured at fair value.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

The financial statements of the Group and the Company have been prepared on a going concern basis as the Directors have satisfied themselves that, having taken into consideration the strength of the Group and Company balance sheet, the Group's cash balances and funding levels, the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Directors are satisfied that the business has not been significantly impacted by COVID-19 and is in a strong position to face any future challenges that may emerge as a result of the continuing fallout from the COVID-19 pandemic. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

2.2 Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and all its subsidiaries. Where the Company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. The consolidated financial statements are based on the financial statements of the individual companies drawn up using the standard Group accounting policies. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with Group policies for consolidation purposes.

All companies in the Group have the same reporting date of 31 March. At the Company level, investments in subsidiaries are held at cost less any impairment.

2.3 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements of the Group are presented in GBP £ which is the Company's functional currency and the Group's presentation currency. In individual entities, transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at rates prevailing on the balance sheet date. Exchange differences are taken to the income statement. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on non-monetary assets and liabilities (including fair value through other comprehensive income assets) are taken to other comprehensive income. Foreign currency gains and losses are reported on a net basis. On consolidation, the results of overseas businesses are translated into the presentation currency of the Group at the average exchange rates for the period. Assets and liabilities of overseas businesses are translated into the presentation currency of the Group at the exchange rate prevailing at the balance sheet date. Exchange differences arising are recognised in other reserves. Cumulative translation differences arising are taken to the income statement on disposal of the net investment. No Group entity has a functional currency of a hyper-inflationary economy.

2.4 Income recognition

Revenue is recognised when the performance obligation has been satisfied by transferring the promised good or service to the customer.

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised by the Group when it transfers control over a product or service to a customer.

2.4 Income recognition (continued)

Revenue comprises the value of clearing and exchange fees and provision of facilities fees. Contracts are typically for 12 months.

At contract inception, an assessment is completed to identify the performance obligations in each contract. Performance obligations in a contract are either goods or services that are distinct or part of a series of goods or services that are substantially the same and have the same pattern of transfer to the customer. Promises that are not distinct are combined with other promised goods or services in the contract, until a performance obligation is satisfied.

At contract inception, the transaction price is determined, being the amount that the Group expects to receive for transferring the promised goods and services. The consideration is variable based on the volume of trades undertaken. The variable consideration is significantly constrained due to the fact that the volume of trades is not within the influence of the Group. The Group has determined that the contractually stated price represented the stand-alone selling price for each performance obligation.

Revenue is recognised using the output method as this best depicts the transfer of the services to the customer.

There are different contract types for clearing and exchange services and the provision of facilities.

Exchange and clearing contracts
These contracts contain several promises, including ad-hoc additional services and connectivity services. Management has determined that the promises in the contract are not distinct, as the customer is not able to benefit from the promises on their own and they are not separately identifiable in the context of the contract. The promises in the contract are a single performance obligation. This single performance obligation is satisfied over time, since the customer consumes the benefits of the service as the Group performs. Revenue is recognised using the output method as this best depicts the transfer of the services to the customer. The Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. The Group has thus applied the practical expedient in IFRS 15 to recognise revenue based on the daily amount of commission earnt and invoiced.

Provision of facilities contracts
These contracts contain several promises including the delivery of a software licence and support and maintenance of software. Management has determined that the promises in the contract are distinct, as the customer is able to benefit from the software licence on its own and the two promises are separately identifiable in the context of the contract.

With respect to the delivery of the software licence, the Group is acting as an agent because it does not enhance the product with any other products / services before it is sold to the customer. The licence provider sets the price charged to the end user. The costs of obtaining the licence are offset against the revenue received from the customer. In previous periods, the Group had accounted for licence sales as principal, recognising the gross amount of revenue received and the gross costs were included in cost of sales.

The remaining promises in the contract are a single performance obligation. The single performance obligation is satisfied over time, since the customer benefits from the service as the Group performs. Revenue in respect of the single performance obligation is recognised evenly over the contract term, which is twelve months.

Revenue for provision of facilities is invoiced in arrears on a monthly basis.

2.4 Income recognition (continued)

Contract costs
The incremental costs associated with obtaining a contract are recognised as an asset if the Group expects to recover the costs. Costs that are not incremental to a contract are expensed as incurred. Management determine which costs are incremental and meet the criteria for capitalisation.

Costs to fulfil a contract, which are not in the scope of another standard, are recognised separately as a contract fulfilment assessment to the extent that they relate directly to a contract which can be specifically identified; the costs generate or enhance resources that will be used to satisfy the performance obligation and the costs are expected to be recovered. Management applies judgement to determine which contract fulfilment costs meet the recognition criteria, and in particular if the costs generate or enhance resources used to satisfy the performance obligation.

Costs to fulfil a contract which do not meet the criteria above are expensed as incurred.

Contract fulfilment asset
Contract fulfilment assets are amortised over the expected contract period on a systematic basis representing the pattern in which control of the associated service is transferred to the customer.

Finance income and expenses
Interest income is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Finance expenses are recognised on an accruals basis.

2.5 Taxation

Taxation on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also included within equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted, or substantively enacted by the balance sheet date. The charge for current tax is based on the result for the year adjusted for items which are non-assessable or disallowed.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. This includes the consideration of compelling evidence of future profitability against a backdrop of historical losses. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. Depreciation is charged on assets so as to write off the cost or valuation of the assets, over their estimated useful lives, less estimated residual value, using the straight-line method at the following rates:

Computer equipment	-	3 years
Computer software	-	3 years
Fixture, fittings and equipment	-	5 years

Leasehold improvements are depreciated on a straight-line basis over the term of the lease or estimated useful economic life, whichever is the shorter.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

2.7 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Capitalised contract costs and contract fulfilment assets
The Group undertakes an assessment at each reporting date to determine whether capitalised contract costs and contract fulfilment assets are impaired. An impairment loss is recognised if the carrying amount of the capitalised contract costs or contract fulfilment asset exceeds the remaining consideration expected to be received for the services to which the asset relates, less the costs that directly relate to providing the service under the contract.

2.8 Financial instruments

Recognition of financial instruments

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

2.8 Financial instruments (continued)

Initial and subsequent measurement of financial assets

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the company with maturities of less than three months.

Trade, Group and other receivables
Trade receivables are initially measured at their transaction price. Group and other receivables are initially measured at fair value plus transaction costs.

Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

2.9 Leases – the group as lessee

On commencement of a contract (or part of a contract) which gives the group the right to use an asset for a period of time in exchange for consideration, the group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Initial and subsequent measurement of the right-of-use asset
A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the group, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

Leased property – On a straight-line basis over the lease term

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below.

An estimate of costs to be incurred in restoring the leased asset to the condition required under the terms and conditions of the lease is recognised as part of the cost of the right-of-use asset when the group incurs the obligation for these costs.

The provision is measured at the best estimate of the expenditure required to settle the obligation.

Short-term leases
Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

The group has made use of the practical expedient on transition to IFRS 16 such that where the lease term ends before 31 March 2020, the group has applied the short term leases policy above.

Initial measurement of the lease liability
The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

2.9 Leases – the group as lessee (continued)

The lease term is the non-cancellable period of the lease plus extension periods that the group is reasonably certain to exercise and termination periods that the group is reasonably certain not to exercise.

Leases are cancellable when each party has the right to terminate the lease without permission of the other party or incurring more than an insignificant penalty. The lease term includes any rent-free periods.

The lessee's incremental borrowing rate is the rate of interest a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate (such as those linked to LIBOR) and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Subsequent measurement of the lease liability
The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in profit or loss.

Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Re-measurement of the lease liability
The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the group's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to nil, when any further adjustment is recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee's incremental borrowing rate at the date of reassessment.

Changes to the amounts expected to be payable under a residual value guarantee and changes to lease payments due to a change in an index or rate are recognised when the change takes effect, and are discounted at the original discount rate unless the change is due to a change in floating interest rates, when the discount rate is revised to reflect the changes in interest rate.

2.10 Impairment of financial assets

An impairment loss is recognised for the expected credit losses in financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on either the contractual due dates, a reduction in the amounts expected to be recovered, or both.

2.10 Impairment of financial assets (continued)

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Trade receivables
For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of default occurring and the expected cash flows on default, based on the ageing of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

Impairment of other receivables measured at amortised cost
The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows.

The financial asset moves from 'performing' to 'under-performing' when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the company prepares the risk of default at the year-end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost.

The risk of a default occurring takes into consideration default events that are possible within twelve months of the year-end ("the twelve-month expected credit losses") for 'performing' financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for 'underperforming' financial assets.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

2.11 Initial and subsequent measurement of financial liabilities

Trade, Group and other payables
Trade, Group and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

Equity instruments
Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

2.12 Derecognition of financial instruments (including write-offs) and financial liabilities

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset, it is derecognised ("written-off").

2.12 Derecognition of financial instruments (including write-offs) and financial liabilities (continued)

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

2.13 Amounts held by clearing and banking institutions on behalf of clients

The Group places amounts into clearing and banking institutions on behalf of clients in order to satisfy current and future payments in respect of clients' transactions in the form of margin with clearing organisations. These balances are shown on the Group's and Company's statements of financial position under amounts held by clearing and bank institutions on behalf of clients within trade and other receivables. These balances may also include amounts funded by the Group's entities where jurisdictional regulatory requirements necessitate such additional funding. Amounts owed to clients from clearing operations within trade and other payables represent the amounts due to clients as a result of the balances held by clearing and bank institutions on behalf of clients.

2.14 Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation and it can be reliably estimated. Provisions believed to relate to periods greater than twelve months are discounted to the net present value using an effective discount rate that reliably calculates the present value of the future obligation.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the financial statements; however, they are disclosed unless their likely occurrence is remote.

2.15 Employee benefits

The Group offers a defined contribution pension plan to employees, which is a pension plan where the Group pays fixed contributions into a separate entity. The Group payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

2.16 Operating leases

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term even if the payments are not made on such a basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

2.17 Dividend distribution

Final equity dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders at an annual general meeting. Interim equity dividends are recognised when paid.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those of estimates.

Critical accounting estimates, assumptions and judgements in applying the entity's policies

The critical estimates, assumptions and judgements that have a significant effect on the carrying amounts of assets and liabilities within the next financial year are set out below:

- Judgements are made on the future profitability of subsidiaries in determining whether any evidence of impairment exists.
- Judgements are made in determining the timing of recognition and for deferred tax assets arising from timing differences due to losses carried forward.

Significant judgements and major sources of estimation uncertainty

Impairment provisions are based on a number of estimates and judgements.

Estimates are required about the expected cash flows, probability of default and period over which the company is exposed to credit risk.

In determining whether its group and other receivables are impaired, the company makes judgements about whether changes in the credit risk of financial assets since initial recognition are significant.

In determining the lease term the group assesses whether it is reasonably certain to exercise, or not to exercise, options to extend or terminate a lease. This assessment is made at the start of the lease and is re-assessed if significant events of changes in circumstances occur that are within the lessee's control.

The group uses judgement to assess whether the interest rate implicit in the lease is readily determinable.

When the interest rate implicit in the lease is not readily determinable, the group estimates the incremental borrowing rate based on its external borrowings secured against similar asset, adjusted for the term of the lease.

The group makes estimates of the cost of restoring leased assets to their original condition when required to do so under the terms and conditions of the lease. Those estimates are based on the current condition of the leased assets and past experience of restoration costs.

4. Adoption of new and revised International Financial Reporting Standards

Initial application of IFRS 16 'Leases' (IFRS 16)

During the year, the group adopted IFRS 16 'Leases' (IFRS 16) for the first time. IFRS 16 replaces IAS 17 'Leases'.

The main change on application of IFRS 16 is the accounting for leases which were classified under IAS 17 as 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed on a straight-line basis over the lease term. Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

4. Adoption of new and revised International Financial Reporting Standards (continued)

The group has applied IFRS 16 retrospectively to all leases, but has elected to recognise the cumulative effect against opening reserves at 1 April 2019 (the modified retrospective approach). Therefore, the comparative figures are as previously reported under IAS 17. The group has applied this approach subject to the transition provisions set out below.

- For all contracts that existed prior to 1 April 2019, the group has not applied IFRS 16 to reassess whether each contract is, or contains, a lease.
- Initial direct costs have been excluded from the measurement of the right-of-use assets.
- Where the lease term ends before 31 March 2021, the group has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.

The amounts recognised for leases at 1 April 2019, have been measured as follows:

- The lease liability is measured at the present value of the remaining lease payments at 1 April 2019, discounted at the lessee's incremental borrowing rate at that date.
- The right-of-use asset is measured at the amount of the lease liability recognised in accordance with the measurement set out above, adjusted for accrued or prepaid operating lease payments at 1 April 2019.

Operating leases policy applied for the year ended 31 March 2019
In the comparative year, leases were accounted for in accordance with IAS 17 'Leases' as follows:

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term even if the payments are not made on such a basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 April 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting
- IFRS 17 Insurance Contracts (effective 1 January 2021)

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

In June 2019, the IASB issued an exposure draft to amend IFRS 17, including a deferral of its effective date to 1 January 2022. At the time of writing, these amendments had not been finalised.

4. Adoption of new and revised International Financial Reporting Standards (continued)

G.H. Financials Limited is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

5. Revenue, net revenue and Country by Country Reporting

Disaggregation of revenue

An analysis of the Group's revenue and net revenue is as follows:

	2020 £	2019 £
Exchange and other fees	262,194,440	236,590,845
Clearing fees	17,255,010	16,370,182
Provision of facilities	2,819,861	2,204,025
Revenue	282,269,311	255,165,052
Cost of sales (fees and provision of facilities)	(266,584,643)	(240,315,212)
Net revenue	15,684,668	14,849,840

Timing of transfer of goods and services

	2020 £	2019 £
Point in time	279,449,450	252,961,027
Over time	2,819,861	2,204,025
Revenue	282,269,311	255,165,052

Country by Country Reporting

The disclosures set out in the tables below are required by The Capital Requirements (Country by Country Reporting) Regulations 2013. The requirements originate from Article 89 of the Capital Requirements Directive IV ("CRD IV"). The Group's country-by-country disclosures have been prepared on the basis of the geographical location of the legal entity booking the transaction and are for the year ended 31 March 2020.

5. Revenue, net revenue and Country by Country Reporting (continued)

Jurisdiction	Description of activity	List of entities
UK	Derivatives Clearing & Execution Brokerage	G. H. Financials Limited
USA	Derivatives Clearing & Execution Brokerage	G. H. Financials, LLC
Hong Kong	Derivatives Clearing & Execution Brokerage	G. H. Financials (Hong Kong) Limited

Jurisdiction	Number of employees (average for the year)	Turnover (Net revenue)	Profit/(Loss) before tax	Accounting tax charge	Cash tax paid on profit*	Public subsidies received
	Number	£	£	£	£	£
UK	46	8,871,550	(684,205)	(59,510)	1,000	-
USA	6	6,454,163	3,908,033	1,121,846	978,431	-
Hong Kong	11	3,713,622	429,372	69,624	-	-
Consolidation adjustments	-	(3,354,669)	(129,726)	-	-	-
Group total	63	15,684,666	3,523,474	1,131,960	979,431	-

**In any given year tax paid will not directly relate to the accounting profits earned in that year – this is because there is often a difference between accounting profit and taxable profit (as a result of applying local tax legislation) and any tax due on taxable profits is usually payable across multiple years.*

6. Operating expenses and auditor's remuneration

Group – operating expenses	**2020**	**2019**
	£	**£**
Employment expenses	8,452,689	9,144,705
Technology expenses	2,487,682	2,399,132
Administrative expenses	1,296,321	840,906
Office Expenses	688,011	578,622
Marketing expenses	274,728	268,698
Foreign exchange gains	131,596	(12,753)
Depreciation		
- Right-of-use assets	534,778	-
- Other assets	163,049	155,088
	14,028,854	13,374,398

6. Operating expenses and auditor's remuneration (continued)

Group and Company - auditor's remuneration

This note discloses the total remuneration payable to the Group's auditor and the US subsidiary auditor

	2020	2019
	£	£
Fees payable to BDO for the audit of the Group's consolidated financial statements	74,500	68,000
Fees payable to BDO and their associates for other services:		
- statutory audit of the Group's subsidiaries	27,574	26,405
- audit related services pursuant to regulation	22,500	21,600
- other non-audit services	43,282	14,783
- tax services	10,257	10,146
Fees payable to US subsidiary auditor for all services	67,926	66,882
	246,039	207,816

7. Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	649,120	1,362,292
Social security expenses	89,579	187,996
Company pension contributions to defined contribution schemes	5,000	5,625
	743,699	1,555,913

The number of Directors for whom retirement benefits were charged under defined contribution schemes amounted to 1 (2019: 1). The amounts above include the following amounts paid to the highest paid Director:

	2020	2019
	£	£
Remuneration for qualifying services	484,120	845,000

8. Employees

Number of employees

The average monthly number of employees (including Directors) during the year was:

	Group 2020 Number	Group 2019 Number
Administration, Risk and Management	43	41
Clearing and Settlement	13	12
Information Technology	7	8
	63	61

	Company 2020 Number	Company 2019 Number
Administration, Risk and Management	26	25
Clearing and Settlement	12	11
Information Technology	8	8
	46	44

Employment expenses

	Group 2020 £	Group 2019 £
Wages and salaries	6,732,864	7,234,536
Social security expenses	651,093	741,169
Other pension expenses	188,578	158,355
Other employment expenses	880,154	1,010,645
	8,452,689	9,144,705

8. Employees (continued)

	Company 2020 £	Company 2019 £
Wages and salaries	4,710,234	5,297,134
Social security expenses	599,904	683,946
Other pension expenses	142,308	107,067
Other employment expenses	632,203	741,619
	6,084,649	6,829,766

9. Income from fair value through other comprehensive income assets

	2020 £	2019 £
Income from fair value through other comprehensive income assets	13,377	12,545
	13,377	12,545

10. Finance income

	2020 £	2019 £
Bank interest	999,943	650,266
Margin financing income	-	13,565
Other interest	1,963,377	1,643,722
	2,963,320	2,307,553

11. Finance expenses

	2020 £	2019 £
Interest on bank loans and overdrafts	51,016	66,483
Other interest	964,767	753,210
Interest on lease liabilities	93,252	-
	1,109,035	819,693

12. Taxation

	2020 £	2019 £
UK Corporation Tax		
Current tax on profits of the year	(59,510)	43,491
Overseas tax incurred	1,121,851	561,126
Current tax on profits of the year	1,062,341	604,617
Deferred tax charge/(credit)	69,619	291,143
Total tax charge	1,131,960	895,760
Total deferred tax charge/(credit) within Other Comprehensive Income	(7,476)	67,801

12. Taxation (continued)

	2020	2019
	£	£
Factors effecting the tax charge for the year:		
Profit before taxation	3,523,474	2,975,847
Profit on ordinary activities before taxation multiplied by standard rate of UK Corporation Tax of 19% (2019: 19%)	669,460	565,411
Effects of:		
Non-deductible expenses	32,045	90,103
Losses carried back	-	10,486
Adjustment to deferred tax to average rate of 19%	(21,369)	15,696
Non-qualifying depreciation	2,412	2,966
Deferred tax not previously recognised	132,193	132,075
Tax losses arising from foreign operations	(11,957)	(108,162)
Other differences	-	-
Overseas tax incurred	379,320	194,518
Adjustments to tax charge in respect of previous periods	(50,144)	(7,333)
Total tax charge	1,131,960	895,760

12. Taxation (continued)

Deferred tax (non-current assets)

Amounts provided:	Group 2020 £	Group 2019 £
Capital allowances in excess of depreciation	61,188	51,822
Timing differences:		
Change in fair value of fair value through other comprehensive income assets	39,832	39,832
Recognition of prior year brought forward tax losses	25,932	80,650
Deferred tax asset provided for	126,952	172,304

Amounts provided:	Company 2020 £	Company 2019 £
Capital allowances in excess of depreciation	61,188	51,822
Timing differences:		
Change in fair value of fair value through other comprehensive income assets	209,666	167,474
Deferred tax asset provided for	270,854	219,296

Amounts not provided for:	Group 2020 £	Group 2019 £
Unutilised trading losses carried forward	1,555,004	511,802
Deferred tax asset not provided for	291,338	84,447

The current income tax provided for is as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Current income tax	148,227	68,237	(22,486)	28,658

13. Dividends

There were no dividend distributions during the year (2019: £Nil).

14. Property, plant and equipment

Group	Leasehold land and buildings	Leasehold improvements	Computer equipment	Computer software	Fixtures, fittings and equipment	Total
	£	£	£	£	£	£
Cost						
At 31 March 2018	-	838,414	1,074,873	280,142	239,837	2,433,266
Additions	-	9,351	85,862	-	1,211	96,424
At 31 March 2019 (as previously published)	-	847,765	1,160,735	280,142	241,048	2,529,690
Adoption of IFRS 16	1,662,362	128,625	-	-	-	1,790,987
At 31 March 2019 (as restated)	1,662,362	976,390	1,160,735	280,142	241,048	4,320,677
Additions	-	204,537	61,989	-	54,117	320,643
Additions - ROUA	1,810,121	-	-	-	-	1,810,121
At 31 March 2020	**3,472,483**	**1,180,927**	**1,222,724**	**280,142**	**295,165**	**6,451,441**
Depreciation						
At 31 March 2018	-	359,597	1,055,301	277,239	178,748	1,870,885
Charge for year	-	90,226	19,948	1,197	43,717	155,088
At 31 March 2019	-	449,823	1,075,249	278,436	222,465	2,025,973
Charge for year	534,778	100,478	47,105	1,200	14,267	697,828
At 31 March 2020	**534,778**	**550,301**	**1,122,354**	**279,636**	**236,732**	**2,723,801**
Net book values						
At 31 March 2020	**2,937,705**	**630,626**	**100,370**	**506**	**58,433**	**3,727,640**
At 31 March 2019	1,662,362	526,567	85,486	1,706	18,583	2,294,704
At 31 March 2018	-	478,817	19,572	2,903	61,089	562,381

14. Property, plant and equipment (continued)

Company	**Leasehold Land and buildings** £	**Leasehold improvements** £	**Computer equipment** £	**Computer software** £	**Fixtures, fittings and equipment** £	**Total** £
Cost						
At 31 March 2018	-	707,477	811,415	280,140	183,220	1,982,252
Additions	-	9,351	57,615	-	591	67,557
At 31 March 2019 (as previously published)	-	716,828	869,030	280,140	183,811	2,049,809
Adoption of IFRS 16	1,592,418	-	-	-	-	1,592,418
At 31 March 2019 (as restated)	1,592,418	716,828	869,030	280,140	183,811	3,642,227
Additions		-	37,183	-	10,897	48,080
At 31 March 2020	**1,592,418**	**716,828**	**906,213**	**280,140**	**194,708**	**3,690,307**
Depreciation						
At 31 March 2018	-	244,051	805,079	277,235	145,800	1,472,165
Charge for year	-	81,736	12,279	1,199	33,611	128,825
At 31 March 2019	-	325,787	817,358	278,434	179,411	1,600,990
Charge for year	338,066	81,654	29,441	1,200	3,686	454,047
At 31 March 2020	**338,066**	**407,441**	**846,799**	**279,634**	**183,097**	**2,055,037**
Net book values						
At 31 March 2020	**1,254,352**	**309,387**	**59,414**	**506**	**11,611**	**1,635,270**
At 31 March 2019	1,592,418	391,041	51,672	1,706	4,400	2,041,237
At 31 March 2018	-	463,426	6,336	2,905	37,420	510,087

15. Investments in subsidiaries

Details of the subsidiaries which have been consolidated in the group financial statements at 31 March 2020 are as follows:

Name of subsidiary	Country of incorporation and registration	Principal place of business	Shares held & voting rights	Class of shares	Net Assets 2020 £'000	Profit for the year 2020 £'000
G. H. Financials, LLC	USA	Chicago	100%	Ordinary	16,901	2,786
G. H. Financials (Hong Kong) Limited	Hong Kong	Hong Kong	100%	Ordinary	12,362	360

The principal activities of G. H. Financials, LLC (Suite 1550, 311 South Wacker Drive, Chicago, Illinois, 60606, USA) and G. H. Financials (Hong Kong) Limited (Suite 2905-06, 29/F, The Center, 99 Queens Road Central, Hong Kong) are the provision of clearing solutions including trading access to electronic derivative exchanges to professional clients and eligible counterparties, the clearing and settlement of their trades and the provision of services necessary to support such market activity.

The movement in the investments in subsidiaries is as follows:

	At 31 March 2020 £	Additions £	At 31 March 2019 £	Additions £	At 31 March 2018 £
Cost & net book value	17,272,404	-	17,272,404	-	17,272,404

The Company's original investment in the subsidiary, G. H. Financials, LLC, was made up of share capital of US$6,000,000 (£3,734,665) followed by the subscription for additional shares in this subsidiary of US$5,000,000 (£3,775,580) during the year ended 31 March 2017. All shares were subscribed for in order to fund the expansion of the US business.

The Company's original investment in the subsidiary, G. H. Financials (Hong Kong) Limited, was made up of share capital of HK$57,550,001 (£4,588,794) followed by the subscription of additional shares in this subsidiary of HK$38,900,000 (£3,226,915) during the year ended 31 March 2016. During the year ended 31 March 2017, additional shares were subscribed for in this subsidiary of HK$20,000,000 (£1,946,450). All shares were subscribed for in order to fund the expansion of the Hong Kong business.

16. Fair value through other comprehensive income assets

The Group's and Company's fair value through other comprehensive income assets comprise purchased exchange seats, memberships and holdings which support the principal activities of the Company and its subsidiary companies. All fair value through other comprehensive income assets are held at fair value and classified as Level 1, Level 2 or Level 3 assets depending on their fair valuation methodology.

16. Fair value through other comprehensive income (continued)

The following are details of the fair value hierarchy that the fair value measurement falls within:

- Level 1 – prices quoted (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

There have been no transfers between any of the Levels during the reporting periods.

The Level 1 assets within fair value through other comprehensive income assets comprise quoted shares of ICE and the CME Group which in turn give rise to US exchange seats and memberships. The fair value for these assets is obtained by reference to quoted price levels for identical assets in active and observable markets.

The Level 2 assets within fair value through other comprehensive income assets comprise shares of the CME Group representing US exchange seats and memberships. The fair value for these assets is obtained by reference to quoted price levels from the exchange including up to date bid and ask prices. These seats and memberships are required to support the Company's clearing membership on certain US markets and will only be sold if the Company decides to no longer participate in these markets. The Directors of the Company believe that Company will continue to participate in these markets for the foreseeable future.

The Level 3 assets within fair value through other comprehensive income assets were B shares held in the London Metal Exchange Limited ("LME"), a subsidiary of Hong Kong Exchanges and Clearing Limited – a company listed on The Stock Exchange of Hong Kong Limited. The Group and the Company during the previous year sold 27,500 shares at a fair value of £60 each. These shares were required to support the Group's clearing memberships on the LME and the Group decided to no longer participate in this market.

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Fair value				
At 31 March 2018	820,105	1,760,685	1,375,000	3,955,790
Sale proceeds from LME shares	-	-	(1,650,000)	(1,650,000)
Fair value movement	107,784	(213,461)	275,000	169,323
At 31 March 2019	**927,889**	**1,547,224**	**-**	**2,475,113**
Fair value movement	102,254	(222,063)	-	(119,809)
At 31 March 2020	**1,030,143**	**1,325,161**	**-**	**2,355,304**

16. Fair value through other comprehensive income assets (continued)

Company	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Fair value				
At 31 March 2018	-	1,760,687	1,250,000	3,010,687
Sale proceeds from LME shares	-	-	(1,500,000)	(1,500,000)
Fair value movement	-	(213,463)	250,000	36,537
At 31 March 2019	-	**1,547,224**	-	**1,547,224**
Fair value movement	-	(222,063)	-	(222,063)
At 31 March 2020	-	**1,325,161**	-	**1,325,161**

17. Trade and other receivables: amounts falling due after more than one year

	Company 2020	**Company 2019**
	£	**£**
Trade and other receivables	3,215,434	3,071,489

The above amounts include only a long-term loan of US$4,000,000 (2019: US$4,000,000) which the Company made to its US subsidiary, G. H. Financials, LLC and which matures on 30 September 2021. This loan is subordinated and unsecured with an interest rate of 3%. There are no Group amounts at the year end (2019: £Nil).

18. Trade and other receivables: amounts falling due within one year

	Group 2020	**Group 2019**
	£	**£**
Trade receivables	1,257,408	1,177,667
Amounts held by clearing and banking institutions on behalf of clients	269,900,216	187,344,631
Other receivables	25,528,396	17,608,189
Prepayments and accrued income	1,839,687	2,246,872
	298,525,707	208,377,359

18. Trade and other receivables: amounts falling due within one year (continued)

	Company 2020 £	Company 2019 £
Trade receivables	322,333	898,215
Amounts held by clearing and banking institutions on behalf of clients	92,285,749	83,408,304
Other receivables	13,394,963	9,990,970
Prepayments and accrued income	1,702,508	2,132,026
	107,705,553	96,429,515

Group and Company amounts held by clearing and bank institutions on behalf of clients include £ 52,522,807 (2019: £ 38,712,617) of segregated client money using the FCA client money definition.

19. *Cash and cash equivalents*

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Balance at banks	26,183,984	28,501,203	14,542,453	17,317,013

Cash and cash equivalents comprise the following by currency and credit rating of banking institution:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Sterling	10,308,534	15,787,747	10,306,591	15,774,645
US Dollars	2,946,649	6,327,227	2,888,616	944,478
Euro	573,831	328,342	573,831	221,274
Hong Kong Dollars	1,074	5,051,071	1,074	1,516
Other currencies	12,353,895	1,006,816	772,341	375,100
	26,183,983	28,501,203	14,542,453	17,317,013

19. Cash and cash equivalents (continued)

Credit rating of banking institutions (S&P)	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
AAA	1,728	8,414	1,728	8,414
AA	21,106,703	28,455,222	9,525,149	17,300,574
A	5,075,553	37,567	5,015,576	8,025
	26,183,984	28,501,203	14,542,453	17,317,013

20. Trade and other payables: amounts falling due within one year

	Group 2020 £	Group 2019 £
Trade payables	128,674	601,260
Amounts owed to clients from clearing operations	236,489,052	169,414,904
Current lease liability	526,061	-
Tax and social security	123,470	115,341
Accruals and deferred income	35,088,210	16,999,483
	272,355,467	187,130,988

	Company 2020 £	Company 2019 £
Trade payables	89,927	600,214
Amounts owed to clients from clearing operations	90,554,368	83,164,282
Current lease liability	289,700	-
Tax and social security	123,470	115,341
Accruals and deferred income	10,554,135	7,487,815
	101,611,600	91,367,652

21. Pension and other post-retirement benefit commitments

The Company and its subsidiaries operate defined contribution pension schemes. The assets of the schemes are held separately from those of the Company and its subsidiaries in independently administered funds. The pension cost charge represents contributions payable to the funds.

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Contributions payable for the year	188,578	158,355	142,308	107,067

No amounts were payable at 31 March 2020 (2019: £Nil).

22. Share capital

The total share capital in respect of the Group and the Company comprises A ordinary ("A share") and B ordinary shares ("B share").

Each A share entitles the holder to one vote and a dividend at the discretion of the Board. The par value of each A share is £1.00.

Each relevant issue of B share carries no voting rights or eligibility to dividend until such time as the relevant hurdle rate is achieved. The hurdle rates are calculated using recognised valuation techniques and after they are achieved, the A shares and the relevant issue of B shares will be ranked *pari passu* as if they were one class of share. The par value of each B share is £0.01.

As at 31 March 2020 the total allotted, called up and fully paid share capital in respect of the Group and the Company was £4,042,044 (2019: £4,184,533). All shares are issued, fully paid and analysed as follows:

	Group & Company A shares £	Group & Company B shares £	Group & Company A & B shares £
Nominal (par) value			
At 31 March 2019	4,180,679	3,854	4,184,533
Shares purchased for cancellation	(142,489)	-	(142,489)
At 31 March 2020	4,038,190	3,854	4,042,044

22. Share capital (continued)

	Group & Company A shares	Group & Company B shares	Group & Company A & B shares
	Number	*Number*	*Number*
Number			
At 31 March 2019	4,180,679	385,461	4,566,140
Shares purchased for cancellation	(142,489)	-	(142,489)
At 31 March 2020	4,038,190	385,461	4,423,651

In accordance with the Companies Act 2006, the Company has adopted a new Articles of Association, which defines all share classes with no authorised limits.

The following describes the nature and purpose of each reserve within total equity attributable to the owners of the Company:

- Share capital - Amount subscribed for share capital at nominal or par value. Ordinary shares are classified as equity. Material incremental costs directly attributable to the issue of ordinary shares are shown in equity as a deduction, net of taxation, from the proceeds;
- Share premium - Amount of consideration received over and above nominal or par value of shares;
- Other reserves - Cumulative after-tax unrealised gains on non-current assets that are held as available-for-sale and cumulative exchange differences on translation of foreign operations; and
- Retained earnings - Cumulative net realised gains and losses recognised in the income statement or statement of comprehensive income. This reserve represents the distributable reserve.

23. Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020	2019
	£	£
Current liabilities	526,061	-
Non-current liabilities	2,361,064	-
	2,887,126	-

Maturity analysis of lease liabilities

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 March and the contractual maturity date.

23. Lease liabilities (continued)

	Within 6 months	6 months - 1 year	1 to 5 years	Over 5 years	Total At 31 March 2020
	£	£	£	£	£
Leasehold land and buildings	359,603	359,930	2,307,860	151,653	3,179,046
Interest allocated to future periods					(291,920)
					2,887,126

The fair value of the Groups lease obligations is approximately equal to their carrying amount.

No lease liabilities existed at 31 March 2019 for the Group or Company as a result of the transition route selected.

The Group was committed to making the following payments under non-cancellable operating leases existing in the year to 31 March 2020:

	Land & Buildings		**Other leases**	
	2020	**2019**	**2020**	**2019**
	£	**£**	**£**	**£**
Minimum lease commitment:				
Within one year	-	578,456	1,536,572	1,556,155
Within two to five years	-	1,329,478	2,362,021	3,898,593
After five years	-	-	-	-
	-	1,907,934	3,898,593	5,454,478

Differences between the operating lease commitments disclosed at 31 March 2019 under IAS 17 discounted at the incremental borrowing rate at 1 April 2019 and lease liabilities recognised at 1 April 2019 are explained below:

23. Lease liabilities (continued)

Group

	Land & Buildings	Other leases	Total
	£	£	£
IAS 17 operating lease commitment at 31 March 2019	1,907,934	5,454,748	7,362,682
Agreements relating to intangible assets outside the scope of IFRS 16	-	(5,454,748)	(5,454,748)
Leases with under 12 months remaining treated as short-term lease agreements	(205,341)	-	(205,341)
Impact of discounting	(134,473)	-	(80,829)
Other changes	40,598		40,598
Lease liability recognised at 31 March 2019	1,608,718	-	1,608,718
Weighted average discount rate on transition			3.51%

Management completed a detailed review of all the agreements classified as leases under IAS 17 at 31 March 2019 in preparation for adopting the new IFRS 16 standard. During this process, management identified several contracts for intangible assets which are outside the scope of IFRS 16. Therefore, these leases have been removed this year and reflected in the table above. These agreements have been expensed in the Income Statement in accordance with the IFRIC's conclusion on Software as a Service.

The Hong Kong lease has an initial three-year term with an option to renew at market value rent at the date of the renewal. At the date of writing, it is believed that this option will be exercised, so the full potential six-year term is included in our calculations. Management have estimated that the market value of rent for the renewal term will be HK$3,509,550 per year, representing a 10% increase.

24. Financial risk management

Financial instruments are analysed by category below:

Financial instrument by category	**Group 2020**	**Group 2019**	**Company 2020**	**Company 2019**
	£	**£**	**£**	**£**
Financial assets at amortised cost				
Trade and other receivables	293,192,888	205,201,206	105,725,348	93,368,207
Cash and cash equivalents	26,183,984	28,501,203	14,542,453	17,317,013
Financial assets at fair value				
Fair value through other comprehensive income assets	2,355,304	2,475,113	1,325,161	1,547,224

Financial instrument by category	**Group 2020**	**Group 2019**	**Company 2020**	**Company 2019**
	£	**£**	**£**	**£**
Financial liabilities at amortised cost				
Trade and other payables	(271,705,936)	(187,015,647)	(101,198,430)	(91,252,311)

The risk management objectives and policies for each separate category of risk, together with the strategies and processes to manage those risks, are set out below.

Market Risk

The Group does not hold any derivative positions on its own account; all its market activity is carried out on behalf of clients, hence the Group has no position risk in relation thereto.

The Group is exposed to price risk in respect of its exchange seats and shares (being fair value through other comprehensive income assets). These assets vary in duration depending on the needs of the Group's clients. The total market value of the Group's exchange seats and shares at 31 March 2020 was £ 2,355,304 (2019: £2,475,113). Management monitors exposures to price risk on an ongoing basis.

24. Financial risk management (continued)

Price risk sensitivity analysis on exchange seats	**2020 Consolidated Statement of Comprehensive Income £**	**2019 Consolidated Statement of Comprehensive Income £**
Market value change +/-10%	235,530	247,511

The Group operates globally and uses GBP £ as its functional currency and is thus exposed to foreign exchange risk arising from various currency combinations. Foreign currency-denominated assets and liabilities together with expected cash flows give rise to foreign exchange exposures. Due to changes in global markets currency combinations will also change within a financial year.

The foreign exchange policy of the Group is to hedge material foreign exchange exposures where beneficial. Exposures are hedged by means of matching assets with liabilities and holding material cash balances in GBP £.

Foreign exchange risk sensitivity analysis on net assets	**Group 2020 £ equivalent**			
	AUD	**EUR**	**HKD**	**USD**
FX rate change +10%	116,945	187,822	440,476	3,361,876
FX rate change -10%	(106,313)	(170,747)	(400,432)	(3,056,251)

Foreign exchange risk sensitivity analysis on net assets	**Group 2019 £ equivalent**			
	AUD	**EUR**	**HKD**	**USD**
FX rate change +10%	115,557	72,130	525,873	2,376,068
FX rate change -10%	(105,052)	(65,572)	(478,067)	(2,160,062)

24. Financial risk management (continued)

Foreign exchange risk sensitivity analysis on net assets	**Company 2020 £ equivalent**			
	AUD	**EUR**	**HKD**	**USD**
FX rate change +10%	100,713	(3,562)	160	1,222,716
FX rate change -10%	(91,557)	3,239	(145)	(1,111,560)

Foreign exchange risk sensitivity analysis on net assets	**Company 2019 £ equivalent**			
	AUD	**EUR**	**HKD**	**USD**
FX rate change +10%	(16,283)	(728,358)	31	(429,993)
FX rate change -10%	14,802	662,144	(28)	390,902

Counterparty Credit Risk

The Group has counterparty credit risk exposure to banks with which it deposits its own and client funds and to market counterparties (e.g. exchanges, clearing houses and other clearers) with which it transacts and to clients in respect of margin defaults. Client money is held in segregated accounts at major clearing banks whose credit positions are monitored for signs of deterioration. Clearing counterparties are monitored for credit quality and financial stability and the Group diversifies its concentration risk between institutions wherever possible. Client counterparty risks are mitigated by clients providing pre-funded margin in the form of cash collateral in major currencies. Positions are "marked-to-market" daily by each exchange's settlement process, minimising counterparty credit risk. This also helps protect against "Wrong-Way risk" which arises when the likelihood of default by counterparties is positively correlated with general market risk factors. The Group also ensures that it has unrestricted access to client trading tools to set and monitor pre-trade limits. Algorithmic or high frequency trading accounts require additional checks prior to client take-on and are subject to on-going monitoring controls. Client exposures are monitored real-time and a margin call is made should an end of day deficit position arise on a client's account.

The carrying amount of the financial assets and liabilities is believed to be the best representation of the Group's maximum exposure to counterparty credit risk.

The Group and Company collects fees for facilities from its clients as part of its normal business flows. The tables below analyse the outstanding receivables as 31 March 2020 and 2019 for both the Group and Company. These balances are included within trade and other receivables on the statement of financial position.

24. Financial risk management (continued)

	Total	Current	0-30 days	31-60 days	61 days and over
Group	**£**	**£**	**£**	**£**	**£**
2020	33,585	36	33,549	-	-
2019	8,173	8,173	-	-	-
Company					
2020	33,549	-	33,549	-	-
2019	1,624	1,624	-	-	-

The carrying amount of the financial assets and liabilities is believed to be the best representation of the Group's maximum exposure to counterparty credit risk. There are no amounts that are past due or that require impairment. The credit quality of the counterparties whose balances are neither past due nor impaired is deemed satisfactory by the Directors.

Credit risk management practices

Other receivables

Group
The Group's other receivables include exchange deposits and rent deposits.

The Group has assessed that there is no risk of default on these balances.

Company
The Company's other receivables represent amounts due from group companies.

The Company reviews the management accounts and forecasts of group companies to assess whether group receivables are recoverable.

Impairment of financial assets

The Company's credit risk management practices and how they relate to the recognition and measurement of expected credit losses is set out below.

Definition of default
The loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default when the principal or any interest is more than 75 days past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

24. Financial risk management (continued)

Determination of credit-impaired financial assets
The company considers financial assets to be 'credit-impaired' when the following events, or combination of several events, have occurred before the year-end:

- Significant financial difficulty of the counterparty arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external funding and/or group support;
- A breach of contract, including receipts being more than 240 days past due;
- It becoming probable that the counterparty will enter bankruptcy or liquidation.

Write-off policy
Receivables are written off when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration. Receivables will also be written off when the amount is more than 180 days past due and is not covered by security over the assets of the counterparty or a guarantee.

Impairment of trade receivables
The Company calculates lifetime expected credit losses for trade receivables using a portfolio approach. The probability of default is determined at the year-end based on the aging of the receivables and historical data about default rates on the same basis. That data is adjusted if the company determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

The following loss rates are applied to trade receivables:

Group	Current	0-30 days	31-60 days	Total
Expected loss rate (%)	8	8	-	8
Gross carrying amount (£)	36	33,549	-	33,585
Loss allowance provision (£)	3	2,684	-	2,687

Company	Current	0-30 days	31-60 days	Total
Expected loss rate (%)	-	8	-	8
Gross carrying amount (£)	-	33,549	-	33,549
Loss allowance provision (£)	-	2,684	-	2,684

These values have an immaterial effect on the current period's financial statements and therefore have not been recognised.

Assessing significant increases in credit risk
The Company undertakes the following procedures to determine whether there has been a significant increase in the credit risk of its other receivables, including group balances, since their initial recognition. Where these procedures identify a significant increase in credit risk, the loss allowance is measured based on the risk of a default occurring over the expected life of the instrument rather than considering only default events expected within 12 months of the year end.

The Group's other receivables include exchange deposits and rent deposits. In the event of a default, the group would expect to recover the deposits in full as they are held in separate bank accounts.

24. Financial risk management (continued)

The Company's other receivables represent a loan advanced to other Group companies with interest of 3% and a repayment date of 30 September 2021.

The Company determines that credit risk has increased significantly when:

- There are significant actual or expected changes in the operating results of the group entity, including declining revenues, profitability or liquidity management problems, or;
- There are existing or forecast adverse changes to the business, financial or economic conditions that may impact the group entity's ability to meet its debt obligations, and;
- The group entity is unable to rely on the support of other group entities to meet its debt obligations.

Based on both the results of G.H. Financials LLC for 31 March 2020 and the forecast results for the next 5 years, the risk of default on the £3.2m outstanding is considered close to nil as G.H Financials LLC has sufficient cash and other liquid assets at the balance sheet date to repay the loan. Thus, any expected credit loss would be immaterial and thus no impairment has been recognised in respect of the intercompany loan.

Liquidity Risk
Liquidity risk is the risk that the Group will not have sufficient liquid assets to meet its financial obligations as they fall due. The Group manages liquidity risk by constantly performing a liquidity assessment on its financial position and establishing a liquidity risk tolerance level that is reviewed regularly. This is governed by the Group's Liquidity Risk Assessment Policy that is reviewed annually by the Board. In addition, the Group monitors daily margin requirements from clearing houses and clearing brokers to ensure that sufficient funds are received from clients to meet these obligations. The net liquidity positions in the table below relate to cash flows on contractual obligations existing at the balance sheet date. They do not take account of any cash flows generated from profits on normal trading activities.

Group 2020	**On-demand**	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**
	£	**£**	**£**	**£**	**£**
Cash and cash equivalents	26,183,984	-	-	-	-
Receivables	293,192,888	-	-	-	-
Financial liabilities	(271,705,936)	-	-	-	-
Total liquidity surplus	47,670,936	-	-	-	-

Group 2019	**On-demand**	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**
	£	**£**	**£**	**£**	**£**
Cash and cash equivalents	28,501,203	-	-	-	-
Receivables	205,201,206	-	-	-	-
Financial liabilities	(187,015,647)	-	-	-	-
Total liquidity surplus	46,686,762	-	-	-	-

24. Financial risk management (continued)

Company 2020	**On-demand**	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**
	£	**£**	**£**	**£**	**£**
Cash and cash equivalents	14,542,453	-	-	-	-
Receivables	105,725,348	-	-	3,215,434	-
Financial liabilities	(101,198,430)	-	-	-	-
Total liquidity surplus	19,069,371	-	-	3,215,434	-

Company 2019	**On-demand**	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**
	£	**£**	**£**	**£**	**£**
Cash and cash equivalents	17,317,013	-	-	-	-
Receivables	90,296,718	-	-	3,071,489	-
Financial liabilities	(91,252,311)	-	-	-	-
Total liquidity surplus	16,361,420	-	-	3,071,489	-

Operational Risk

The Group's operational risk is the risk that losses will arise through failure in processes, personnel, technology or infrastructure or by external forces (including regulation and Brexit) impacting on any of these. These risks are managed through regular assessment as part of the Group's internal risk management procedures, including maintaining a fully up-to-date risk register and Internal Capital Adequacy Assessment Process ("ICAAP"), and contingency planning for how to deal with such risks arising. In particular management has assessed the possible impacts from different Brexit scenarios and believes that they are currently not material to the business. However, such risks and scenarios will continue to be monitored. The Group's ICAAP also details expected costs that would be associated with risks that cannot be fully mitigated and these are considered when planning the Group's capital requirements.

24. Financial risk management (continued)

Group Risk & Capital Management

There is an obligation on the local management of both the US and Hong Kong subsidiaries to run the local entities in a prudent and conservative manner without the expectation of parental support. The subsidiaries are expected to be self-sufficient in terms of their funding and capital without recourse to the parent. The Group and Company manage its capital to ensure that it will be able to continue as a going concern. The Group and Company fund its expenditures on commitments from existing cash and cash equivalent balances. The Group operates through three regulated entities in the UK, US and Hong Kong. These entities are required to maintain minimum levels of capital that are sufficient to meet their regulatory capital requirements. The Group and Company operate a comprehensive risk management framework that identifies areas of risk, establishes risk appetites and mitigating controls and monitors compliance within the risk limits. The Group and Company have complied with its regulatory capital required throughout the period under review.

For each of the above risks there are no changes in measurement, management and monitoring of exposures year on year.

Fair value measurement

The fair value of financial assets and liabilities are presented in a way that permits it to be compared with its carrying amount.

Carrying & fair value	Group	Group	Company	Company
	2020	2019	2020	2019
	£	£	£	£
Financial assets	2,355,304	2,475,113	1,325,161	1,547,224

25. Related party transactions

The Group and Company management and other members of key management personnel during the year were the Directors of the Company and the aggregate remuneration is shown in note 7.

The companies with common majority shareholder are: Hertshten Group Limited, Mercury Derivatives Trading Limited and Hertshten Properties Limited.

The Company and its subsidiaries act as the provider of clearing services and facilities for Mercury Derivatives Trading Limited. In addition, the Company is charged for the costs of property services provided by Hertshten Properties Limited.

During the year the Group and Company charged net fees for clearing services and provision of facilities to Mercury Derivatives Trading Limited of £9,352,429 (2098: £9,521,852) and were charged the costs of property services provided by Hertshten Properties Limited of £(389,354) (2019: £(200,197)). At 31 March 2020, the Group and Company, in the ordinary course of trading, owed Mercury Derivatives Trading Limited £33,113,444 (2019: £32,806,580). Additionally, at 31 March 2020, the Group and Company owed Hertshten Properties Limited £ Nil (2019: £96,497).

25. Related party transactions

During the year the Company charged fees for clearing and provision of facilities to its subsidiary entities of £350,800 (2019: £143,133). The Company also was charged fees by its subsidiaries for clearing and provision of facilities of £3,475,085 (2019: £2,570,870), none of which was outstanding at year end (2019: £nil). Additionally, the Company charged its subsidiaries for a range of management services during the year of £2,330,537 (2019: £2,226,206) of which £Nil (2019: £Nil) was outstanding at year end.

26. Post balance sheet events

There were no material post balance sheet events.