

**Company Number: 06173794**

**INTERCAPITAL NO. 1 LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2019**

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## **INTERCAPITAL NO. 1 LIMITED**

### **Strategic Report for the year ended 31 March 2019**

The directors present their Strategic Report and the audited financial statements of InterCapital No.1 Limited (the 'Company') for the year ended 31 March 2019.

#### **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The Company is an investment holding company. It is anticipated that the Company will continue its present business activities next year. The directors consider that the year-end financial position was satisfactory and do not anticipate any changes to the principal activities.

On 2 November 2018, NEX Group plc (now known as NEX Group Limited) was acquired by CME Group Inc. ("CME Group") after obtaining all regulatory clearances. The combined group of companies owned by CME Group (the 'Group') will enable clients worldwide to trade futures, cash and over-the-counter ("OTC") markets, optimise portfolios and analyse data to efficiently manage risk and capture opportunities. CME Group will retire the NEX name and brand but will continue to operate its individual Markets and Optimisation businesses as sub-brands. It is anticipated that CME Group will begin to integrate NEX business operations.

#### **RESULTS**

The results of the Company are set out in the profit and loss account on page 7.

The loss for the financial year of \$2,191,000 (2018: loss of \$3,100,000) has been transferred to reserves.

The net assets of the Company are \$28,170,000 (2018: \$30,361,000).

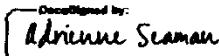
#### **KEY PERFORMANCE INDICATORS**

The directors of CME Group manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company is subject to risk management process of CME Group. Details of the principal risks and uncertainties relating to the Company's ultimate parent can be found in CME Group Inc. Annual Report.

The report has been approved by the board of directors and signed by order of the board:

Declassified by:  
  
DC5782B0AE10407...  
Adrienne Seaman  
Director

17 March 2020

**INTERCAPITAL NO. 1 LIMITED**  
**Directors' Report for the year ended 31 March 2019**

Company Number: 06173794

The directors present their Directors' Report and the audited financial statements of the Company for the year ended 31 March 2019.

**PRINCIPAL ACTIVITIES**

The Company is an investment holding company. It is anticipated that the Company will continue its present business activities next year.

The Company is incorporated and domiciled in England and Wales. The registered office is London Fruit and Wool Exchange, 1 Duval Square, London, E1 6PW.

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The business review and future developments of the Company are detailed in the Strategic Report.

**GOING CONCERN**

After reviewing the liquidity requirements, capital requirements, plans and financing arrangements, the directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future and confirm that the Company is a going concern. For this reason, the Company continues to adopt the going concern basis of preparing these financial statements.

**DIVIDENDS**

No dividends were paid during the year (2018: nil).

**FINANCIAL INFORMATION**

The Company was acquired by CME Group Inc in November 2018. The previous Directors of the Company resigned subsequently. Although the current Directors have access to the historic financial information maintained by the Company prior to the Group's ownership, the current Directors have not been able to satisfy themselves as to the completeness or accuracy of that information.

In addition, the current Directors do not have access to some of the key contractual agreements that determine the financial information and by effect have not been able to satisfy themselves as to the completeness or accuracy of subsequent financial information after the Group's ownership.

As the Directors are unable to validate the opening balance sheet and transactions, there is a risk that the 2019 closing balance sheet and profit and loss account may not be a fair reflection of the position as at 31 March 2019 and for the year then ended.

The Directors are taking the necessary steps to appropriately address the matters identified above.

The Company has some investments in subsidiaries which face the same issue as above.

**DIRECTORS**

The directors of the Company, who held office during the year and up to the date of signing the financial statements were:

L Barclay	(resigned 24 December 2019)
P Newman	(resigned 7 June 2018)
D Williamson	(appointed 4 September 2018, resigned 18 December 2019)
R Bodnum	(appointed 24 December 2019)
K Cronin	(appointed 24 December 2019)
W Knottenbelt	(appointed 24 December 2019)
A Seaman	(appointed 24 December 2019)

**INTERCAPITAL NO. 1 LIMITED**  
**Directors' Report for the year ended 31 March 2019**

Company Number: 06173794

**INDEPENDENT AUDITORS**

In the prior year the company was exempt from audit and in the current year Ernst & Young LLP were appointed auditors for the year ended 31 March 2019. Ernst & Young LLP are the CME Group auditors and, for consistency purposes, they were appointed as auditors for all legacy NEX companies.

**PROVISION OF INFORMATION TO THE AUDITORS**

The Directors of the Company at the time the report is approved, confirm that, subject to the caveat below:

- So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware.
- The directors have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

These financial statements and the opinions expressed in them are based on historic financial information and legacy contractual agreements. The Directors have not been able to satisfy themselves as to the accuracy or completeness of these.

**DIRECTORS' INDEMNITIES**

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

This report has been approved by the board and signed on behalf of the board:

DocuSigned by:  
*Adrienne Seaman*  
DC8782BCAE1D407...

Adrienne Seaman  
Director

17 March 2020

**INTERCAPITAL NO. 1 LIMITED**  
**Directors' Report for the year ended 31 March 2019**

Company Number: 06173794

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

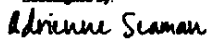
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

This report has been approved by the board of directors and signed on behalf of the board:

DocuSigned by:  
  
DC87828CAE1D407...  
Adrienne Seaman  
Director

17 March 2020

## **INTERCAPITAL NO. 1 LIMITED**

### **Independent Auditor's Report to the members of Intercapital No.1 Limited**

#### **Disclaimer of opinion**

We were engaged to audit the financial statements of Intercapital No.1 Limited (the 'Company') for the year ended 31 March 2019 which the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for disclaimer of opinion**

As disclosed in the Directors' Report, the Company was acquired by CME Group Inc in November 2018. The previous Directors of the Company resigned subsequently. The current Directors have not been able to satisfy themselves as to the completeness or accuracy of historic information prior to the acquisition. In addition, the current Directors do not have access to some of the key contractual agreements that determine the financial information and as a result have not been able to satisfy themselves as to the completeness or accuracy of financial information since the change in ownership.

We were appointed as auditors of the Company for the year-ended 31 March 2019 and did not audit the opening balances. We were unable to obtain sufficient, appropriate evidence to conclude on whether the opening balances are appropriate. In addition, we were unable to obtain all necessary contractual agreements, supporting evidence and explanations to complete our audit procedures for the year-ended 31 March 2019. Furthermore, we were unable to satisfy ourselves as to the nature and extent of financial controls in place that would ensure that adequate accounting records have been kept. Consequently, we have been unable to conclude whether the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of the loss for the year then ended.

Due to the significance of the matters described above and the pervasiveness of those matters to the financial statements, we cannot express an opinion on the accompanying financial statements of the Company.

#### **Opinions on other matters prescribed by the Companies Act 2006**

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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.

#### **Matters on which the auditor is required to report by exception**

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the directors' report. Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

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

#### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 4, 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 an internal control as the directors determine as necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**INTERCAPITAL NO. 1 LIMITED**  
**Independent Auditor's Report to the members of Intercapital No.1 Limited**

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have realistic alternative to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Use of the audit report**

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



Simon Michaelson (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

18 March 2020

**INTERCAPITAL NO. 1 LIMITED**  
**Profit and Loss Account for the year ended 31 March 2019**

	<u>Note</u>	<u>Year ended</u> <u>31/03/2019</u> \$'000	<u>Year ended</u> <u>31/03/2018</u> \$'000 (unaudited/ restated)
Administrative expenses	3	(5)	(239)
Impairment of investment in subsidiaries	8	(2,270)	(390)
Other operating income / (expense)	5	112	(2,329)
<b>Operating loss</b>		<u>(2,163)</u>	<u>(2,958)</u>
Interest payable and similar charges	6	-	(739)
<b>Loss before taxation</b>		<u>(2,163)</u>	<u>(3,697)</u>
Tax (charge) / credit on loss before taxation	7	(28)	597
<b>Loss for the financial year</b>		<u>(2,191)</u>	<u>(3,100)</u>

The loss of the Company for the financial year is derived from continuing operations.

The notes on pages 11 to 21 are an integral part of these financial statements.

The profit and loss account for the year ended 31 March 2018 has been restated due to prior year errors (note 13).



**INTERCAPITAL NO. 1 LIMITED**  
**Statement of Comprehensive Income for the year ended 31 March 2019**

	<u>Year ended</u> <u>31/03/2019</u> \$'000	<u>Year ended</u> <u>31/03/2018</u> \$'000 (unaudited/ restated)
<b>Loss for the financial year</b>	(2,191)	(3,100)
<b>Total comprehensive expense for the year</b>	<u>(2,191)</u>	<u>(3,100)</u>

The notes on pages 11 to 21 are an integral part of these financial statements.

The statement of comprehensive income for the year ended 31 March 2018 has been restated due to prior year errors (note 13).

**INTERCAPITAL NO. 1 LIMITED**  
**Balance Sheet as at 31 March 2019**

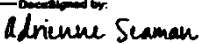
Company Number: 06173794

	<u>Note</u>	<u>As at</u> <u>31/03/2019</u> \$'000	<u>As at</u> <u>31/03/2018</u> \$'000 (unaudited/ restated)
<b>Non-current assets</b>			
Investment in subsidiaries	8	4,367	6,637
		<u>4,367</u>	<u>6,637</u>
<b>Current assets</b>			
Debtors	9	26,337	27,226
Cash and cash equivalents	10	2	9
Tax receivable		-	617
		<u>26,339</u>	<u>27,852</u>
<b>Total assets</b>		<u>30,706</u>	<u>34,489</u>
<b>Current liabilities</b>			
Creditors	11	(2,498)	(4,128)
Tax payable		(38)	-
<b>Total liabilities</b>		<u>(2,536)</u>	<u>(4,128)</u>
<b>Net assets</b>		<u>28,170</u>	<u>30,361</u>
<b>Equity</b>			
Share capital	12	358	358
Share premium		73,632	73,632
Accumulated losses		(45,820)	(43,629)
<b>Total equity</b>		<u>28,170</u>	<u>30,361</u>

The notes on pages 11 to 21 are an integral part of these financial statements.

The balance sheet as at 31 March 2018 has been restated due to prior year errors (note 13).

The financial statements on pages 7 to 21 were authorised by the board of directors and were signed on its behalf by:

Declassified by:  
  
 DC87628CAE1D407...

Adrienne Seaman  
 Director

17 March 2020

**INTERCAPITAL NO. 1 LIMITED**  
**Statement of Changes in Equity for the year ended 31 March 2019**

	<u>Share capital</u> <u>(note 12)</u> \$'000	<u>Share premium</u> \$'000	<u>Accumulated losses</u> \$'000	<u>Total equity</u> \$'000
As at 31 March 2017 (unaudited)	358	-	(40,529)	(40,171)
Loss for the year	-	-	(3,100)	(3,100)
Issue of share capital	-	73,632	-	73,632
As at 31 March 2018 (unaudited/restated)	<u>358</u>	<u>73,632</u>	<u>(43,629)</u>	<u>30,361</u>
Loss for the year	-	-	(2,191)	(2,191)
As at 31 March 2019	<u>358</u>	<u>73,632</u>	<u>(45,820)</u>	<u>28,170</u>

The notes on pages 11 to 21 are an integral part of these financial statements.

The statement of changes in equity for the year ended 31 March 2018 has been restated due to prior year errors (note 13).

Share capital

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

Share premium

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

## **INTERCAPITAL NO. 1 LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019**

#### **1. PRINCIPAL ACCOUNTING POLICIES**

##### **a) Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 (the 'Act') as applicable to companies using FRS 101 and under the historic cost convention. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ('IFRS'). The accounting policies have been applied consistently, other than where new policies have been adopted.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The financial statements of the Company will be included in the Group publicly available consolidated financial statements. Note 15 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

Per the FRS 101 Reduced Disclosure Framework, the Company is eligible to adopt the following qualifying exemptions:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- Financial risk management, per 7Sch 6 Companies Act 2006
- Paragraph 30 and 31 of IAS 8 Accounting Policy Changes in Accounting Estimates and Errors framework: Standards not yet effective
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

The financial statements have been prepared on a going concern basis.

The accounting policies have been applied consistently, other than where new policies have been adopted.

##### **b) Accounting developments**

###### (i) New standards, amendments and interpretations adopted

There are two new standards effective for the first time for the year ended 31 March 2019, but with no material impact on the Company: *IFRS 15: Revenue from Contracts with Customers* and *IFRS 9: Financial Instruments*.

###### *IFRS 15 'Revenue from Contracts with Customers'*

The new standard establishes a single comprehensive model for determining whether, how much and when revenue arising from contracts with customers is recognised. It replaced IAS 18 'Revenue' and related Interpretations.

The Company has adopted IFRS 15 with effect from 1 April 2018 and has adopted the modified retrospective approach without restatement of comparatives. Accordingly, the information presented for the year ended 31 March 2018 has not been restated and is presented, as previously reported, under IAS 18.

The core principle of IFRS 15 is that revenue should be recognised with the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

## INTERCAPITAL NO. 1 LIMITED

### Notes to the financial statements for the year ended 31 March 2019

Specifically, the Standard introduces a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Brokerage income consists of commission arising from dry cargo charter broking and sale and purchase broking. The policies for turnover are as follows:

- i. Charter broking – commission income is recognized when related invoices are issued, in general when the Company has evidence that freight invoices have been issued by ship owners to the charter company.
- ii. Ship sale and purchase broking – commission is credited to income as installment payments become due in accordance with the agreement in the case of ships under construction and on delivery for other ships.

#### *IFRS 9: Financial Instruments*

The Company has applied IFRS 9: *Financial Instruments* from 1 April 2018, which replaced IAS 39: *Financial Instruments - Recognition and Measurement*. As permitted by IFRS 9, under the transition methods chosen, comparative information has not been restated. IFRS 9 has three core components: Classification and Measurement, Impairment and Hedge Accounting. Under the IAS 39 standard, applied for 2018 balances, an impairment loss was recognised if there was an objective evidence of impairment as a result of events that have occurred.

#### A. Classification and measurement

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

IFRS 9 requires the classification of financial assets to be determined by a contractual cash flows test referred to as "Solely payment of principal and interest" (SPPI) and a business model test.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. There are three principal classification categories for financial assets that are debt instruments:

- amortised cost (AC)
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL)

**INTERCAPITAL NO. 1 LIMITED****Notes to the financial statements for the year ended 31 March 2019**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

The impact on the classification and measurement of the Company's financial assets at the date of initial adoption of IFRS 9, 1 April 2018, is summarised in the table below.

	31-Mar-18		01-Apr-18	
	Amount	Category	Amount	category
	\$'000		\$'000	
<b>Current assets</b>				
Cash and cash equivalents	9	L&R	9	AC
Trade and other receivables (excluding derivative financial instruments)	27,226	L&R	27,226	AC

## INTERCAPITAL NO. 1 LIMITED

### Notes to the financial statements for the year ended 31 March 2019

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

#### B. Impairment

IFRS 9 replaces the 'incurred loss' model under IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, expected credit losses may be recognised earlier than under IAS 39.

The Company will apply a 3 stage approach in determining a **significant increase in credit risk** and is used as basis for calculating expected credit losses:

Stage	Description	Accounting implication
Stage 1	No significant changes in credit quality of exposure since initial recognition	<ul style="list-style-type: none"> <li>12-month expected credit losses</li> <li>Interest calculated on gross carrying amount</li> </ul>
Stage 2	The credit risk of the exposure has increased significantly since initial recognition	<ul style="list-style-type: none"> <li>Lifetime expected credit losses</li> <li>Interest calculated on gross carrying amount</li> </ul>
Stage 3	The credit risk of the exposure has increased significantly since initial recognition and the exposure is considered to be credit-impaired	<ul style="list-style-type: none"> <li>Lifetime expected credit losses</li> <li>Interest calculated on net carrying amount</li> </ul>

The Company assumes that the credit risk of a financial asset has increased significantly when:

- there has been an increase in the lifetime probability of default ('PD') or if the financial asset; or
- the financial assets are more than 30 days past due (backstop indicator)

The Company considers a financial asset to be in **default** when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) or
- the borrower has defaulted on another balance within the Group or
- the financial asset is more than 90 days past due, with an exemption applied for trade receivables and intercompany receivables for which default is determined on a case by case basis. The Company considers factors such as historical information as a base from which to measure expected credit losses and applies current observable data to reflect the effects of the current conditions.

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

The Company will apply the general approach to all financial assets in scope for IFRS 9 impairment framework, with the *exception of trade receivables, where the Company applied the simplified approach, with a lifetime expected credit loss.*

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

**Forward looking** - As a macroeconomic variable, real UK GDP growth was identified to demonstrate a strong linear relationship with historical observed default rates. As per NEX's modelling policy, three PD term structures are used in the model: base case GDP growth rates, a plausible but optimistic case for GDP growth (upturn scenario) and a negative but plausible case of GDP growth (downturn scenario).

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the asset.

## **INTERCAPITAL NO. 1 LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019**

Impairment losses are presented under 'operating expenses', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations. When a trade receivable is determined to be uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Operating expenses' in the consolidated income statement.

The restatement on transition to IFRS 9 as a result of applying the ECL model was immaterial.

#### **c) Tax**

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

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

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

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

#### **d) Investment in subsidiaries**

Investments in subsidiaries are recorded at historical cost less provision for any impairments in their values, and are assessed for impairment on an annual basis. Where there is evidence of impairment, recoverable amounts of the subsidiaries are calculated with reference to the higher of its fair value less costs to sale and its value in use. The excess of carrying value over the recoverable amount is then taken to profit and loss as an impairment charge and the investment in subsidiary is then recorded at historic cost less impairments.

A subsidiary is an entity over which the Company has control. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

#### **e) Financial assets**

The Company classifies its financial assets in the following categories: financial assets held at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### *i) Recognition*

Amortised cost: The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.



## **INTERCAPITAL NO. 1 LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019**

Financial assets held at amortised cost consist of loans and receivables which are non-derivative financial instruments that have a fixed or easily determined value. They are subsequently carried at amortised cost using the effective interest method, less any impairment. These assets are included in debtors (note 9).

#### *ii) De-recognition*

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### *(i) Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, ageing profile, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Financial assets not held at fair value are impaired where there is objective evidence that the value may be impaired. The amount of the impairment is calculated as the difference between carrying value and the present value of any expected future cash flows, with any impairment being recognised in the profit and loss account. Subsequent recovery of amounts previously impaired are credited to the profit and loss account.

#### **f) Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on hand and on-demand deposits which are subject to insignificant risk of change in value and are readily convertible into a known amount of cash with less than three months maturity.

#### **g) Financial liabilities**

##### *i) Recognition*

Financial liabilities consist of creditors initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

##### *ii) De-recognition*

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

#### **h) Share capital**

Ordinary shares are classified as equity. Dividends are recognised as deductions from the profit and loss account in the period in which they are declared.

#### **i) Foreign currencies**

##### *i) Functional and presentational currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in United States Dollars (\$), which is the Company's functional and presentational currency.

**INTERCAPITAL NO. 1 LIMITED****Notes to the financial statements for the year ended 31 March 2019***ii) Transactions and balances*

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences are taken to the profit and loss account, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are taken directly to profit and loss account. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

**2. KEY ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The Company makes various judgements in applying its accounting policies and various assumptions and estimates, including about the future, when determining the carrying value of certain assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at 31 March 2019 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved:

- Impairment of trade debtors: where the financial asset is more than 90 days past due this is considered impaired, with some exemptions applied on a case by case basis. The Company considers factors such as historical information as a base from which to measure expected credit losses based on the current observable data to reflect the effects of the current conditions.
- The impairment review of investment in subsidiary: this was assessed for impairment at year end and the impairment charge was calculated as the difference between carrying value and the net assets of the subsidiary which was assumed to be equal to fair value.

**3. ADMINISTRATIVE EXPENSES**

	<u>Year ended</u> <u>31/03/2019</u>	<u>Year ended</u> <u>31/03/2018</u>
	£'000	£'000
		(unaudited)
Professional fees	1	239
Expected credit loss	4	-
	<u>5</u>	<u>239</u>

The fee paid for the statutory audit of the Company for the period ended 31 March 2019 was £30,000. The financial statements were unaudited for the year ended 31 March 2018.

**4. DIRECTORS' REMUNERATION**

No fees were paid to the directors in respect of services to the Company during the year (2018: nil).

**INTERCAPITAL NO. 1 LIMITED****Notes to the financial statements for the year ended 31 March 2019****5. OTHER OPERATING INCOME / (EXPENSE)**

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

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>Year ended</u> <u>31/03/2019</u> \$'000	<u>Year ended</u> <u>31/03/2018</u> \$'000 (unaudited/ restated)
Interest on loans from related companies	-	739
	<u>-</u>	<u>739</u>

**7. TAX CHARGE / (CREDIT) ON LOSS BEFORE TAXATION**

	<u>Year ended</u> <u>31/03/2019</u> \$'000	<u>Year ended</u> <u>31/03/2018</u> \$'000 (unaudited/ restated)
a) Analysis of charge / (credit) for the year		
Current tax:		
UK Corporation tax – current year	28	(617)
UK Corporation tax – prior year	-	20
	<u>28</u>	<u>(597)</u>
Tax charge / (credit) on loss before taxation	<u>28</u>	<u>(597)</u>
b) Factors affecting the tax charge / (credit) for the year		
Loss before taxation	<u>(2,163)</u>	<u>(3,697)</u>
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(411)	(702)
Effects of:		
Expenses not deductible for tax purposes	435	85
Share of partnership profits	4	-
Adjustments in respect of prior years – current tax	-	20
	<u>439</u>	<u>105</u>
Tax charge / (credit) on loss before taxation	<u>28</u>	<u>(597)</u>
Effective tax rate	(1)%	16%

The standard rate of Corporation Tax in the UK changed from 20% to 19% with effect from 1 April 2017 and following the enactment of Finance Act 2016 on 15 September 2016 will fall to 17% from 1 April 2020. Given that this rate was enacted at the time of the balance sheet date, the closing deferred tax balances have been calculated with reference to this date.

**INTERCAPITAL NO. 1 LIMITED****Notes to the financial statements for the year ended 31 March 2019****8. INVESTMENT IN SUBSIDIARIES**

	<u>As at</u> <u>31/03/2019</u>	<u>As at</u> <u>31/03/2018</u>
	\$'000	\$'000
	(unaudited)	
As at beginning of the year	6,637	7,027
Additions	-	-
Impairment	<u>(2,270)</u>	<u>(390)</u>
As at end of the year	<u>4,367</u>	<u>6,637</u>

During the year, the Company impaired its investment in Intercapital No.2 Limited by \$2,267,000. It also impaired its investment in ICAP Shipping (Gibraltar) by \$3,000.

At 31 March 2019, the Company's subsidiary companies and related undertakings were as follows:

Name	% Directly held	Country of incorporation
Intercapital No. 2 Limited	100%	England and Wales
Capital Shipbroking Limited	100%	England and Wales
Capital Shipbrokers LLP	99.99%	England and Wales
Intercapital No. 3 Limited	100%	England and Wales
Name	% Indirectly held	Country of incorporation
Midhurst Chartering Limited	100%	England and Wales
Intercapital (Hong Kong) Limited	100%	Hong Kong
Intercapital (Germany) GmbH	100%	Germany
Intercapital No. 1 Pte	100%	Singapore
Intercapital No. 2 Pte	100%	Singapore
Capital Shipbrokers Limited (HK) *	50%	Hong Kong

\* in liquidation

**9. DEBTORS**

	<u>As at</u> <u>31/03/2019</u>	<u>As at</u> <u>31/03/2018</u>
	\$'000	\$'000
	(unaudited)	
Amounts owed by immediate parent company	-	559
Amounts owed by related companies	26,334	26,667
Prepayments	<u>3</u>	<u>-</u>
	<u>26,337</u>	<u>27,226</u>

**INTERCAPITAL NO. 1 LIMITED**

**Notes to the financial statements for the year ended 31 March 2019**

**10. CASH AND CASH EQUIVALENTS**

	<u>As at</u> <u>31/03/2019</u> \$'000	<u>As at</u> <u>31/03/2018</u> \$'000 (unaudited)
Cash at bank	2	9
	<u>2</u>	<u>9</u>

**11. CREDITORS**

	<u>As at</u> <u>31/03/2019</u> \$'000	<u>As at</u> <u>31/03/2018</u> \$'000 (unaudited/ restated)
Accruals		43
Amounts owed to intermediate parent company	2	-
Amounts owed to related companies <sup>1</sup>	2,496	4,085
	<u>2,498</u>	<u>4,128</u>

**12. SHARE CAPITAL**

	<u>As at</u> <u>31/03/2019</u> \$'000	<u>As at</u> <u>31/03/2018</u> \$'000 (unaudited)
<b>Allotted and fully paid:</b>		
250,001 Ordinary shares of £1 each (2018: 250,001)	358	358
	<u>358</u>	<u>358</u>

**INTERCAPITAL NO. 1 LIMITED****Notes to the financial statements for the year ended 31 March 2019****13. RESTATEMENT**

	<u>As at</u> <u>31/03/2018</u> \$'000	<u>Adjustments</u>	<u>As at</u> <u>31/03/2018</u> \$'000 (unaudited/ restated)
<b><u>Balance sheet (extract)</u></b>			
<i>Current assets</i>			
Tax receivable	626	(9)	617
<i>Current liabilities</i>			
Creditors	(4,179)	51	(4,128)
<i>Equity</i>			
Accumulated losses	(43,671)	42	(43,629)
<b><u>Profit and loss account (extract)</u></b>			
Interest payable and similar charges	(790)	51	(739)
Tax credit on loss before taxation	606	(9)	597

The balance sheet as at 31 March 2018 and profit and loss account for the year ended 31 March 2018 have been restated. The Company previously inaccurately recognised an interest expense which has now been removed.

**14. IMMEDIATE AND ULTIMATE PARENT COMPANY**

The Company's immediate parent is NEX International Limited (formerly ICAP plc) which does not prepare consolidated financial statements.

As at 31 March 2019, the Company's ultimate parent was CME Group Inc., which is incorporated in the United States, and headed the largest group of companies of which the Company was a member. CME Group Inc. prepares consolidated financial statements in accordance with US GAAP and copies may be obtained from the Company Secretary, CME Group Inc., 20 South Wacker Drive, Chicago, Illinois, 60606, which is its registered office.

**15. SUBSEQUENT EVENTS**

On 4 April 2019, the total issued share capital of Intercapital No.1 Limited (250,001 ordinary shares) was transferred from NEX Group Holdings Limited to NEX International Limited for consideration of £1.