COMPANY NUMBER: 06173794

INTERCAPITAL NO. 1 LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2021

INTERCAPITAL NO.1 LIMITED
General information

PROFILE

Intercapital No. 1 Limited (the 'Company') is a wholly owned indirect subsidiary of CME Group Inc. (the 'Group') and is consolidated in the Group accounts. The Company is incorporated and domiciled in England and Wales and is a private company limited by shares.

The Company is an investment holding company.

DIRECTORS

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

R. J. Bodnum	
K. M. Cronin	
W. F. Knottenbelt	Resigned 12 April 2021
A. H. Seaman	
J. Bray	Appointed 12 April 2021

REGISTERED OFFICE

London Fruit and Wool Exchange
1 Duval Square
London
E1 6PW

REGISTRATION NUMBER

06173794

INTERCAPITAL NO. 1 LIMITED

Strategic Report for the year ended 31 March 2021

Company Number: 06173794

The directors present their Strategic Report and the audited financial statements of the Company for the year ended 31 March 2021.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The directors consider that the year end financial position was satisfactory. The directors have made the decision to wind down the business and the intention is to place the Company into Members' Voluntary Liquidation 'MVL' within 12 months.

RESULTS

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

The loss for the year of $41,500,000 (31 March 2020: profit of $7,000) has been transferred to reserves.

The net liabilities of the Company are $1,000 (31 March 2020: net assets of $29,254,000).

PRINCIPAL RISKS AND UNCERTAINTIES

Details of risk management objectives, policies and exposure to risk are set out in note 2 of these financial statements

KEY PERFORMANCE INDICATORS

The Company reviews the following financial metrics:

	2021	2020
	$'000	$'000
(Loss)/profit after taxation	**(41,500)**	7
Total equity	**(1)**	29,254

Profit after tax decreased to a loss-making position in 2021 due to the impairment loss on investments recognised of $44,527,000, this was offset by the receipt of a dividend for $3,163,000.

Total equity has decreased by 100% in the year as a result of the loss for the year, and a $2,499,959 dividend paid, offset by shares issued at a total value of $14,745,000.

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

DocuSigned by:
Adrienne Seaman
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Adrienne Seaman
Director

14 December 2021

INTERCAPITAL NO. 1 LIMITED

Directors' Report for the year ended 31 March 2021

Company Number: 06173794

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The directors intend that the Company will be placed in MVL within the next 12 months.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

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

GOING CONCERN

The directors intend that the Company will be placed in MVL within the next 12 months. CME Group Inc., the Company's ultimate parent, has agreed to provide support to the Company throughout this period to ensure all creditors are paid. In these circumstances, it is not appropriate to prepare the financial statements on a going concern basis. As the company plans to cease its commercial operations and realise its assets in an orderly fashion, the directors have determined that other than providing for future costs to be incurred in ceasing the Company's operations and placing the Company in MVL, the accounting policies applied to individual items should be consistent with those adopted in the prior year. There were no non-current assets held at the year end and all the current assets are realisable at their original recognised amounts such that no impairments or write downs were required. However, adjustments have been made to provide for an estimate of any further liabilities and future operating losses expected to arise until the Company is placed in MVL. These estimates are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances and are continually re-evaluated.

The directors have considered the impact of COVID-19 on the Company. To date the Company's activities have not been significantly impacted by the COVID-19 pandemic. Further, given the decision to wind down the business and the intention to place the Company into MVL within 12 months, the directors do not consider that the COVID-19 pandemic will have a material impact on the Company in the future.

DIVIDENDS

During the year a dividend of USD 2,499,959 was paid to NEX International Limited (31 March 2020: nil). The Directors do not recommend a final dividend for the year (31 March 2020: nil).

INDEPENDENT AUDITORS

Ernst & Young LLP have held office as auditor of the Company for the year.

PROVISION OF INFORMATION TO THE AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that:

- 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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 of directors and signed on behalf of the board:

DocuSigned by:
Adrienne Seaman
DC8762BCAE1D407...

Adrienne Seaman
Director

14 December 2021

INTERCAPITAL NO. 1 LIMITED
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; for the reasons stated in the Strategic Report and note 1(b), the financial statements have not been prepared on a going concern basis.

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

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Opinion

We have audited the financial statements of Intercapital No. 1 Limited for the year ended 31 March 2021 which comprise Profit and Loss Account, the Balance Sheet, the statement of changes in equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Financial Statements Prepared on a Basis Other than going concern

We draw attention to note 1b to the financial statements which explains that the Directors intend to place the company into Members Voluntary Liquidation within the next 12 months and therefore do not consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Accordingly, the financial statements have been prepared on a basis as described in note 1b. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the 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 internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom.

- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated our inquiries through reading board minutes and correspondence with relevant authorities.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override. Our procedures involved testing journals identified by specific risk criteria.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria. We read the minutes of Directors' meetings to identify any non-compliance with laws and regulations. We also made enquiries with the Directors and of management of the company regarding compliance with laws and regulations.

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

Use of our report

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

Ernst + Young LLP

Michael Christie (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
Date 15 December 2021

INTERCAPITAL NO. 1 LIMITED
Profit and Loss Account for the year ended 31 March 2021

	Note	Year ended 31 Mar 2021 $'000	Year ended 31 Mar 2020 $'000
Administrative expenses	3	**(20)**	(63)
Provision for future costs	12	**(15)**	
Other operating (expense)/income	5	**(101)**	70
Operating (loss)/profit before taxation		**(136)**	7
Dividends received	6	**3,163**	-
Impairment loss on investments	8	**(44,527)**	-
(Loss)/profit before taxation		**(41,500)**	7
Tax on (loss)/profit	7	**-**	-
(Loss)/profit for the financial year		**(41,500)**	7

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

The notes on pages 11 to 20 are an integral part of these financial statements.

INTERCAPITAL NO. 1 LIMITED
Balance Sheet as a 31 March 2021

	Note	As at 31 March 2021 $'000	As at 31 Mar 2020 $'000
Non-current assets			
Investment in subsidiaries	8	-	5,444
		-	5,444
Current assets			
Debtors: amounts falling due within one year	9	**516**	26,374
Cash and cash equivalents	10	**80**	2
		596	26,376
Total assets		**596**	31,820
Current liabilities			
Creditors: amounts falling due within one year	11	**(582)**	(2,566)
Provision for liabilities	12	**(15)**	-
		(597)	(2,566)
Net liabilities		**(1)**	29,254
Equity			
Share capital	13	-	358
Share premium		-	73,632
Accumulated losses		(1)	(44,736)
Total equity		(1)	29,254

The notes on pages 11 to 20 are an integral part of these financial statements.

The financial statements were authorised by the board of directors on 14 December 2021 and were signed on its behalf

by: DocuSigned by:
Adrienne Seaman
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Adrienne Seaman
Director

INTERCAPITAL NO. 1 LIMITED
Statement of Changes in Equity for the year ended 31 March 2021

	Share capital	Share premium	(Accumulated losses)/Retained earnings	Total shareholders' funds
	$'000	$'000	$'000	
At 1 April 2019	358	73,632	(44,743)	29,247
Profit for the year	-	-	7	7
At 31 March 2020	358	73,632	(44,736)	29,254
At 1 April 2020	**358**	**73,632**	**(44,736)**	**29,254**
Shares issued	**14,745**	**-**	**-**	**14,745**
Dividends paid	**-**	**-**	**(2,500)**	**(2,500)**
Capital reduction	**(15,103)**	**(73,632)**	**88,735**	**-**
Loss for the year	**-**	**-**	**(41,500)**	**(41,500)**
At 31 March 2021	**-**	**-**	**(1)**	**(1)**

The notes on pages 11 to 20 are an integral part of these financial statements.

<u>Share capital</u>

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

<u>Share premium</u>

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

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'), 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 standards have been applied consistently, other than where new standards have been adopted.

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

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

- IFRS 7 'Financial instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1 'Presentation of financial statements' – comparative information requirements in respect of:
  The following paragraphs of IAS 1 'Presentation of financial statements'
  i) Paragraph 10(d) of IAS 1 (statement of cash flows)
  ii) Paragraph 16 (statement of compliance with all IFRS)
  iii) Paragraph 38A (requirement for minimum of two primary statements, including cash flow statements)
  iv) Paragraph 38B-D (additional comparative information)
  v) Paragraph 11 (cash flow statement information)
  vi) Paragraph 134-136 (capital management disclosures)
- IAS 7 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation)
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- Financial risk management, per 7Sch 6 CA 2006

b) Going concern

The directors intend that the Company will be placed in MVL within the next 12 months. CME Group Inc., the Company's ultimate parent, has agreed to provide support to the Company throughout this period to ensure all creditors are paid. In these circumstances, it is not appropriate to prepare the financial statements on a going concern basis. As the company plans to cease its commercial operations and realise its assets in an orderly fashion, the directors have determined that other than providing for future costs to be incurred in ceasing the Company's operations and placing the Company in MVL, the accounting policies applied to individual items should be consistent with those adopted in the prior year. Given the nature of the Company's operations there are no non-current assets and all the current assets are realisable at their originally recognised amounts such that no impairments or write downs were required. However, adjustments have been made to provide for an estimate of any further liabilities and future operating losses expected to arise until the Company is placed in MVL. These estimates are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances and are continually re-evaluated.

The directors have considered the impact of COVID-19 on the Company. To date the Company's activities have not been significantly impacted by the COVID-19 pandemic. Further, given the decision to wind down the business and the intention to place the Company into MVL within 12 months, the directors do not consider that the COVID-19 pandemic will have a material impact on the Company in the future.

c) Tax

Tax on the profit 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 accounted for 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) Investments in subsidiaries

Investments in subsidiaries are recorded at historical cost less provision for any impairment in their values and are assessed for impairment on an annual basis. Where there is any evidence of impairment, recoverable amounts of the subsidiaries are calculated with reference to the higher of its fair value less costs to sell 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 impairment.

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) Impairment of non-financial assets

At each balance sheet date, the Company 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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 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.

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.

(iii) Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. For receivables, the Company applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(i) 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.

(j) Share capital

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

(k) 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.

(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. FINANCIAL RISK MANAGEMENT

The Company's operations expose it to some financial risks. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated below.

Credit risk

Credit risk arises from cash, cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Company also has credit risk exposure to receivables from group entities as a result of intercompany relationships. This risk is managed on a group basis.

An impairment calculation is performed on intercompany receivables by using Global Corporate Average Cumulative Default Rates. This is on the basis that CME Group ultimately support all the intercompany debt. CME Group have a AA- rating and as such the default rate is 0.03% (Standard & Poors). The intercompany receivables impairment is calculated using the general approach and is based on lifetime expected credit losses using a discounted formula based on Bank of England target inflation, marginal probability of default for a AA- rated company and a assumed loss given default rate of 100%, the ECL is nil (2020: $4k).

Disclosures regarding debtors, that are neither past due nor impaired, are provided below:

Debtors

As at 31 March 2021 amounts owed by group undertakings of $nil (2020: $nil) were past due but not impaired. The ageing analysis of these debtors is as follows:

	2021	2020
	$'000	$'000
Current	**516**	26,376
1 to 3 months	**-**	-
3 to 6 months	**-**	-
Over 6 months	**-**	-
At 31 March	**516**	26,376

INTERCAPITAL NO.1 LIMITED
Notes to the Financial Statements for the year ended 31 March 2021

2. FINANCIAL RISK MANAGEMENT (continued)

Market risk
Market risk arises from adverse movements in foreign exchange rates, interest rates and securities prices. Those risks are managed by the Company on the basis of agreed limits which are kept under continuous review. Compliance is monitored through internal management reporting and internal audit process.

Foreign currency risk
The Company is exposed to foreign currency risk on a transactional basis, where receipts and payments occur in currencies other than United States Dollar, and on a translation basis, whereby assets and liabilities are denominated in currencies other than the United States Dollar. The Company does not have a policy of hedging its foreign risk exposure as the exposure is considered minimal.

The following table demonstrates the sensitivity to a reasonably possible change in United States Dollar against the exchange rates of foreign currencies with all other variables held constant. The analysis shows the impact on profit and loss of a strengthening (-%) or weakening (+%) of the currency against United States Dollar:

	Sensitivity	2021	Sensitivity	2020
	%	$'000	%	$'000
Sterling	-8%	(61)	-11%	48
	6%	41	13%	(45)

Liquidity risk
The Company's policy is to manage liquidity risk by utilising the support provided by group companies to manage short-term liquidity requirements.

Liquidity risk is the risk that the Company is unable to fully or promptly meet payment obligations and potential payment obligations as and when they fall due.

The following table sets out the contractual maturities of financial liabilities, representing undiscounted contractual cash-flows:

	Within 1 year	**Within 1 to 3 years**	**Within 3 to 5 years**	**Greater than 5 years**	**Total**
At 31 March 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Amounts owed to related companies	**582**	**-**	**-**	**-**	**582**
Total	**582**	**-**	**-**	**-**	**582**
At 31 March 2020	$'000	$'000	$'000	$'000	$'000
Amounts owed to related companies	2,517	-	-	-	2,517
Accruals	49	-	-	-	49
Total	2,566	-	-	-	2,566

2. FINANICAL RISK MANGEMENT (continued)

Operational risk
Operational risk is the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental, or natural occurrences. Internal processes include human resource systems, risk management and internal controls (including fraud prevention). Internal processes are subject to risks associated with human error, breaches of safety and failure of error prevention and detection systems. Operational risks also include possible failures of information technology systems. Operational risk is managed through the implementation of systems controls and policies, in which employees receive regular training, and the establishment of a business continuity plan, which is reviewed and tested on a regular basis under various scenarios.

Other than the risks outlined above, the Company is also exposed to the following operational risks:

Covid 19 Pandemic
Given the nature of the Company's activities there has been no direct or material impact from COVID-19.

Reputation risk
Reputation risk is the risk of damage to the Company arising from any association, action or inaction, perceived by stakeholders (e.g. customers, clients, colleagues, shareholders, regulators, opinion formers) to be inappropriate or unethical. The governance around the management of reputation risk is designed to promote a consistent approach and a risk-aware culture across the Company and CME Group. Every member of staff must take responsibility for managing reputation risk associated with their decisions and actions.

3. ADMINISTRATIVE EXPENSES

	Year ended 31 Mar 2021 $'000	Year ended 31 Mar 2020 $'000
Professional fees	**-**	50
Expected credit loss	**(5)**	-
Insurance	**22**	15
Other expenses	**3**	(2)
	20	63

The fee paid to Ernst & Young LLP (the Company's external auditors) for the statutory audit of the Company for the year ended 31 March 2021 was borne by a fellow subsidiary of the group (31 March 2020: $49,905 (£39,390)).

The Company had no employees during the current year and prior year.

4. DIRECTORS' REMUNERATION

No fees were paid in the directors in respect of services to the Company during the year (2020: nil)

5. OTHER OPERATING (EXPENSE)/INCOME

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.

INTERCAPITAL NO.1 LIMITED
Notes to the Financial Statements for the year ended 31 March 2021

6. DIVIDENDS RECEIVED

	2021	2020
	$'000	$'000
Dividends received from subsidiaries	3,163	-
	3,163	-

On 16 July 2020, Intercapital No.2 Limited declared a cash dividend to Intercapital No. 1 Limited in the sum of USD 3,163,000, to be left outstanding on intercompany account.

7. TAX ON PROFIT/(LOSS)

	Year ended 31 Mar 2021 $'000	Year ended 31 Mar 2020 $'000
a) Analysis of the (credit)/charge for the year		
Current tax:		
UK corporation tax – current year	-	-
Overseas corporation tax – prior year	-	-
	-	-
b) Factors affecting the tax charge for the year		
(Loss)/Profit before tax	(41,500)	7
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (31 March 2020: 19%)	(7,885)	1
Effects of:		
Expenses not deductible for tax purposes	8,463	-
Share of partnership profits	(1)	(4)
Non-taxable income	(601)	-
Group relief surrendered for nil	24	3
	7,885	(1)
Tax (credit)/charge for the year	-	-
Effective tax rate	0%	0%

The headline rate of UK corporation tax remained at 19% for the period, following the enactment of Finance Act 2020 on 22 July 2020. Finance Bill 2021 published on 11 March 2021 and substantively enacted on 24 May 2021, includes a provision to change the standard rate of corporation tax from 19% to 25% with effect from 1 April 2023.

8. INVESTMENTS IN SUBSIDIARIES

	Year ended 31 Mar 2021 $'000	Year ended 31 Mar 2020 $'000
As at 1 April	**5,444**	5,444
Additions	**41,678**	-
Impairment	**(44,527)**	-
Disposals	**(2,595)**	-
As at 31 March	**-**	5,444

On 16 July 2020, Intercapital No.3 Ltd allotted and issued 19,486,400 fully paid ordinary shares of £1.00 each to Intercapital No. 1 Ltd for a subscription price of USD 1.25 per share.

On 16 July 2020, Intercapital No.3 Ltd allotted and issued 2,060,000 fully paid ordinary shares of £1.00 each to Intercapital No. 1 Ltd for a subscription price of USD 1.25 per share.

On 16 July 2020, Intercapital No.3 Ltd allotted and issued 11,796,000 fully paid ordinary shares of £1.00 each to Intercapital No. 1 Ltd for a subscription price of USD 1.25 per share.

On 30 September 2020 an impairment charge of $3,087,789 was recognised for Intercapital No.2 Limited and a charge of $41,439,275 for Intercapital No.3 Limited (2019: nil) as the net assets of both companies, and hence expected recoverable value, were lower than the carrying value of the investment held in the Company.

On 11 November 2020, Intercapital No. 1 Limited disposed of:

- its 99.9997% membership interest in Capital Shipbrokers LLP to Intercapital Limited for USD 1.00 consideration, left outstanding on intercompany account;
- the entire issued share capital of Capital Shipbroking Limited to Intercapital Limited for USD 1.00 consideration, left outstanding on intercompany account;
- the entire issued share capital of Intercapital No. 2 Limited to Intercapital Limited for USD 2,356,613.00 consideration, left outstanding on intercompany account; and
- the entire issued share capital of Intercapital No. 3 Limited to Intercapital Limited for USD 238,726.00 consideration, left outstanding on intercompany account.

9. DEBTORS

	As at 31 Mar 2021 $'000	As at 31 Mar 2020 $'000
Amounts owed by intermediate parent company	**-**	35
Amounts owed by related companies	**516**	26,341
ECL allowance	**-**	(4)
Prepayments	**-**	2
	516	26,374

INTERCAPITAL NO.1 LIMITED
Notes to the Financial Statements for the year ended 31 March 2021

10. CASH AND CASH EQUIVALENTS

	As at 31 Mar 2021 $'000	As at 31 Mar 2020 $'000
Cash at bank and in hand	80	2
	80	2

11. CREDITORS

	As at 31 Mar 2021 $'000	As at 31 Mar 2020 $'000
Accruals	-	49
Amounts owed to related companies	582	2,517
	582	2,566

Amounts owed to Group companies are non-interest bearing and payable on demand.

12. PROVISION FOR LIABILITIES

	As at 31 Mar 2021 $'000	As at 31 Mar 2020 $'000
At 1 April	-	-
Arising during the year	15	-
At 31 March	15	-

The provision represents administrative costs to be incurred by the Company post 31 March 2021 until the company is placed in MVL, which is expected to be in the next 12 months.

13. SHARE CAPITAL

	As at 31 Mar 2021 $'000	As at 31 Mar 2020 $'000
Allotted and fully paid:		
1 Ordinary shares of £1 each (2020: 250,001)	-	358
	-	358

On 16 July 2020, Intercapital No.1 Ltd allotted and issued 11,796,000 fully paid ordinary shares of £1.00 each to NEX International Ltd for a subscription price of USD 1.25 per share.

On 19 October 2020, Intercapital No. 1 Limited reduced its share capital by (i) cancelling 12,046,000 ordinary shares of £1 each in issue and (ii) cancelling its entire share premium account. There was no cash payment made as a result of this transaction and the amount was transferred to retained earnings. Following the reduction, the updated issued share capital of Intercapital No. 1 Limited is 1 ordinary share of £1.

14. POST BALANCE SHEET EVENTS

No post balance sheet events have occurred.

15. IMMEDIATE, INTERMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent is NEX International Limited which is incorporated in England and Wales and does not prepare consolidated financial statements.

The Company's ultimate parent is CME Group Inc., which is incorporated in Delaware, United States, and heads the largest group of companies of which the Company is a member. CME Group Inc. prepares consolidated financial statements in accordance with US GAAP, which are publicly available, and copies may be obtained from the Company Secretary, CME Group Inc., 20 South Wacker Drive, Chicago, Illinois, 60606.