Registered in England No. 1915961

Instinet
A Nomura Company

INSTINET EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2022

Instinet Europe Limited

Strategic report for the year ended 31 March 2022

The Directors present their strategic report for Instinet Europe Limited ("the Company") for the year ended 31 March 2022.

The principal activity of the Company is noted in the Directors' Report.

Review of the Business

The Company's key performance indicators during the year were:

	31 Mar 2022	31 Mar 2021	% Change
Average Daily Consideration in billions (USD)	1.5	3.8	(60.5)%
Market Share	4.7%	5.08%	(7.5)%
Pricing in bps	1.10	0.92	19.6%

The decrease in the average daily consideration is a result of the Company's transfer of business over to the Company's subsidiary, Instinet Germany GmbH. This is the first full operational year in which the Company did not execute transactions in EEA markets. Despite the decrease in average daily consideration, the Company still made a profit of £3.7m due to an increase in allocation of profits from higher Global profit in the Instinet Group. The Directors are of the opinion that the Company's position as a leading agency execution broker means it is well positioned to continue to innovate and offer solutions that meet client's needs.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to be market risks, competition from other brokers and system risks. These risks are continually assessed by the Directors to ensure that their impact is minimal.

By Order of the Board

Digitally signed by Richard Parsons
Date: 2022.07.18 16:39:26 +01'00'

R Parsons
Director
1 Angel Lane
London
EC4R 3AB

Date: 18 July 2022

Instinet Europe Limited

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2022.

Principal activities

The principal activity of the Company is that of an agency broker. The Company is registered as a limited corporate member of The London Stock Exchange, and is authorised by the United Kingdom Financial Conduct Authority. The Company's parent is Instinet International Limited and together with Instinet Global Services Limited forms the "Group".

Results and dividend

The profit for the period set against reserves amounted to £3,721,000 (2021: loss of £(226,000)).

The Directors do not recommend the payment of any dividend (2021: Nil).

Financial risk management

The Company's trading activities expose it to a variety of financial risks. These are discussed in note 22.

Pillar III Disclosures

In order to comply with FCA regulations, the Company has prepared the Pillar 3 disclosure document in line with the CRD IV directive. A copy of this document can be found on https://www.instinet.com/legal-and-regulatory.php.

Future outlook and going concern

The global economy experienced repeated slowdowns in the fiscal year ended 31 March 2022 in response to flare-ups in the COVID-19 pandemic. Despite this, economic activity resumed to a great extent, particularly in the countries that were at the forefront in administering COVID-19 vaccination programs. The pandemic had a lingering impact on emerging market economies, in particular, causing sluggishness in production and distribution that, when combined with the pent-up demand caused by the economic recovery, led to increasingly severe supply constraints and rising inflation.

As a result of rising inflation the central banks of major countries and regions around the world became more inclined to execute monetary policy tightening and this in turn led to greater concern over rising interest rates in financial markets which is a trend that looks likely to continue.

Global equity markets stayed in an overall uptrend, albeit disrupted by numerous downward adjustments prompted by concerns over sustained inflation and rising market interest rates, as well as China's economic growth showing signs of slowing.

In response to the ongoing conflict in Ukraine, the United Kingdom (OFSI), Japan, European Union, US Treasury Department (OFAC), and other countries around the world have imposed an unprecedented package of economic sanctions targeting Russia.

The sanctions target Russian entities in the financial services, energy and defence sectors as well as targeting individuals with close ties with the Russian Government. The Company has processes in place to monitor sanctions to ensure compliance. The impact of these ongoing sanctions is not expected to materially affect the profitability of the Company in the coming financial year.

The Company is expected to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Instinet International Limited group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. Further, the Company has a Credit Facility Agreement with its ultimate Parent, which at the height of the market volatility during the Covid-19 pandemic and the invasion of Ukraine by Russia, was able to be extended as required. Therefore, the Directors have a reasonable expectation that the Company has adequate capital and financial support to continue on a going concern for a period of at least twelve months.

During the COVID-19 pandemic, supporting and safeguarding our employees and continuing to provide services to clients were a priority. We moved to a remote working model and provided extensive support and practical help to employees as they adopted to new working arrangements. As COVID-related restrictions were lifted towards the end of the financial period, the Company continued to prioritise employee and client health and safety through the implementation of a return to office plan aligned with Government guidance. A hybrid-working model has since been adopted and will continue to evolve to ensure employees are able to work effectively and clients are able to receive high-quality service.

Instinet Europe Limited

Streamlined Energy and Carbon Reporting

The Company is exempt from Streamlined Energy and Carbon Reporting as it qualifies as a low energy user by consuming 40MWh or less in the UK, including offshore area, during the financial year even though the Company is defined as a large company under section 465 and 466 of the Companies Act 2006.

Directors

The list of directors shown below also includes the directors who have resigned and been appointed post financial year ended 31 March 2022:

- J Soames
- R Parsons
- P Spanswick
- T Aoki (resigned 4 May 2022)
- A Bowley
- R Roberts Jnr

Disclosure of information to auditors

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

Auditors

Ernst & Young LLP, Registered Auditor, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting in accordance with the provisions of Section 485 of the Companies Act 2006.

By Order of the Board

Digitally signed by Richard Parsons
Date: 2022.07.18 16:40:31 +01'00'

Richard Parsons
Director
1 Angel Lane
London
EC4R 3AB

Date: 18 July 2022

Instinet Europe Limited

Statement of directors' responsibilities

The Directors are responsible for preparing the Report and Financial Statements in accordance with United Kingdom law and UK Adopted International Accounting Standards (IAS).

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IAS. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss for that year.

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

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments that are reasonable;
- provide additional disclosures when compliance with the specific requirements of IAS is sufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IAS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records which 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.

Independent auditors' report to the members of Instinet Europe Limited

Opinion

We have audited the financial statements of Instinet Europe Limited for the year ended 31 March 2022 which comprise the Statement of Profit and Loss, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Other Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Adopted International Accounting Standards; 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 this gives rise to 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.

Independent auditors' report to the members of Instinet Europe Limited (continued)

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.

Independent auditors' report to the members of Instinet Europe Limited (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the regulations, licence conditions and supervisory requirements of the Financial Conduct Authority (FCA) and Companies Act 2006, and the relevant direct and indirect tax compliance regulations in the United Kingdom.
- We understood how Instinet Europe Limited is complying with those frameworks by obtaining an understanding of the entity and its control environment through communication with management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and regulatory bodies; reviewed minutes of the Board Committees; and gained an understanding of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified to prevent or detect fraud. We also identified the risks of fraud and identified areas that we considered when performing our fraud procedures, such as cybersecurity, the impact of remote working, and the appropriateness of the information produced by the entity used when performing our audit procedures to address identified risks. Where the risk was considered to be higher, including areas impacting company's key performance indicators or management remuneration, we performed audit procedures to address each identified risk. These procedures included the assessment of items identified by management as non-recurring and testing manual journals.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, those responsible for internal audit, those responsible for legal and compliance for their awareness of any non-compliance of laws or regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations; inquiring about the company's methods of enforcing and monitoring compliance with such policies; review of the whistleblowing log; and inspecting significant correspondence with the FCA.

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.

Yours faithfully

Ernst & Young LLP

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

19 July 2022

Instinet Europe Limited

Statement of Profit and Loss

	Notes	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Europe		56,841	85,762
Asia		1,415	2,645
North America		28,841	35,790
Total Turnover	10	**87,097**	**124,197**
Cost of sales		(38,150)	(57,095)
Gross Profit		**48,947**	**67,102**
Administrative expenses		(42,971)	(63,943)
Interest and similar income	9	1,984	1,104
Interest and similar expense	9	(4,447)	(4,353)
Investment income	15	89	90
Profit/(Loss) before tax from continuing operations	8	3,602	-
Income tax credit/(expense)	10	119	(226)
Profit/(Loss) from continuing operations		**3,721**	**(226)**

The results above relate wholly to continuing operations.

The notes on pages 13 to 36 form part of these financial statements

Instinet Europe Limited

Statement of Comprehensive Income

	Notes	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Profit/(Loss) for the year		3,721	(226)
Other comprehensive income			
Exchange differences on translation of foreign operations		94	1,825
Net gain on equity instruments designated at fair value through other comprehensive income	23	17	195
Deferred tax (expense) / credit related to items included in other comprehensive income	10	(140)	(17)
Total other comprehensive income / (expense) net of tax		**(29)**	**2,003**
Total comprehensive income / (expense) net of tax		**3,692**	**1,777**
Attributable to owners of parent		**3,692**	**1,777**

The results above relate wholly to continuing operations.

The notes on pages 13 to 36 form part of these financial statements

Instinet Europe Limited

Statement of Financial Position

	Notes	At 31 Mar 2022 £'000	At 31 Mar 2021 £'000
Assets			
Non-current assets			
Investment in subsidiary	11	42,020	42,020
		42,020	**42,020**
Current assets			
Trade and other receivables	13	1,123,984	631,972
Prepayments and accrued income	14	4,134	5,446
Other current financial assets	15	2,314	2,306
Cash and cash equivalents	16	117,417	95,895
		1,247,849	**735,619**
Total assets		**1,289,869**	**777,639**
Equity and liabilities			
Equity			
Issued capital	19	96,547	96,547
Share premium		810	810
Retained earnings		979	(2,742)
Foreign currency translation reserve	19	1,962	1,868
Revaluation reserve	19	1,538	1,661
Equity attributable to owners of the parent		**101,836**	**98,144**
Total equity		**101,836**	**98,144**
Non-current liabilities			
Deferred tax liabilities	10	444	309
		444	**309**
Current liabilities			
Interest bearing loans and borrowings	17	860,499	466,481
Trade and other payables	18	326,753	212,141
Taxes payable		-	196
Taxes and social security		337	368
		1,187,589	**679,186**
Total liabilities		**1,188,033**	**679,495**
Total equity and liabilities		**1,289,869**	**777,639**

The notes on pages 13 to 36 form part of these financial statements. A duly authorised Committee of the Board of Directors of the Company with registered number 1915961 approved these financial statements on 18 July 2022.

RParsons

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Date: 2022.07.18
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Richard Parsons - Director

Instinet Europe Limited

Statement of changes in equity

For the year ended 31 March 2022	Issued capital (note 21) £'000	Share premium (note 21) £'000	Retained earnings £'000	Foreign Currency translation reserve £'000	Asset revaluation reserve £'000	Share-based Payment reserve £'000	Total equity £'000
As at 1 April 2021	**96,547**	**810**	**(2,742)**	**1,868**	**1,661**	**-**	**98,144**
Profit for the year	-	-	3,721	-	-	-	3,721
Total comprehensive income attributable to the owners of the parent	**96,547**	**810**	**979**	**1,868**	**1,661**	**-**	**101,865**
Translation adjustment	-	-	-	94	-	-	94
Asset revaluation (see note 23)	-	-	-	-	17	-	17
Deferred tax on other comprehensive income	-	-	-	-	(140)	-	(140)
Effect of capital contribution relating to IFRS 2 share-based payments (see note 20)	-	-	-	-	-	222	222
Distribution of reserves: share based payments recharged to parent company	-	-	-	-	-	(222)	(222)
As at 31 March 2022	**96,547**	**810**	**979**	**1,962**	**1,538**	**-**	**101,836**
For the year ended 31 March 2021							
As at 1 April 2020	**96,547**	**810**	**(2,516)**	**43**	**1,483**	**-**	**96,367**
Loss for the year	-	-	(226)	-	-	-	(226)
Total comprehensive income attributable to the owners of the parent	96,547	810	(2,742)	43	1,483	-	96,141
Translation adjustment	-	-	-	1,825	-	-	1,825
Asset revaluation (see note 23)	-	-	-	-	195	-	195
Deferred tax on other comprehensive income	-	-	-	-	(17)	-	(17)
Effect of capital contribution relating to IFRS 2 share-based payments (see note 20)	-	-	-	-	-	255	255
Distribution of reserves: share based payments recharged to parent company	-	-	-	-	-	(255)	(255)
As at 31 March 2021	**96,547**	**810**	**(2,742)**	**1,868**	**1,661**	**-**	**98,144**

Instinet Europe Limited

Statement of cash flows for the year ended 31 March 2022

	Notes	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Operating activities			
Profit /(loss) before tax from continuing operations		3,602	-
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property and equipment		-	97
Net change in Equity instruments at fair value through other comprehensive income		(131)	88
Share-based payment transaction expense	7	222	255
Derecognition of lease		-	837
Gain from derecognition of lease		-	11
Disposal of Plant and Equipment		-	21
Movement in provisions		(76)	(664)
Interests from group undertakings		(35)	-
Finance income and expense (net)		2,409	601
Working capital adjustments:			
Increase in trade and other receivables and prepayments		(489,518)	686,253
Increase in trade and other payables		516,813	(605,837)
		33,286	81,662
Income tax (paid)/received		-	-
Net cash flows from operating activities		**33,286**	**81,662**
Investing activities			
Interest received		878	-
Investment in subsidiary		-	(36,002)
Investment income		89	90
Net cash flows from investing activities		**967**	**(35,912)**
Financing activities			
Interest paid		(3,240)	(2,953)
Repayment of principal portion of lease liabilities		-	(942)
Net cash flows used in financing activities		**(3,240)**	**(3,895)**
Net (decrease)/ increase in cash and cash equivalents		31,013	41,855
Net foreign exchange difference		94	1,825
Cash and cash equivalents at beginning of year		82,424	38,744
Cash and cash equivalents at end of year	16	**113,531**	**82,424**

The notes on pages 13 to 36 form part of these financial statements.

Notes to the financial statements at 31 March 2022

1. Corporate information

The Company is an agency broker. The Company, incorporated and domiciled in the United Kingdom, is a limited liability company with its registered office at 1 Angel Lane, London EC4R 3AB.

The Company is a wholly owned subsidiary of Instinet International Limited and its ultimate parent undertaking is Nomura Holdings Incorporated, a company incorporated in Japan and the largest group in which the Company's results are consolidated. Copies of the financial statements can be obtained from 1 Angel Lane, London EC4R 3AB.

The Company's financial statements for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the directors on 18 July 2022.

2. Basis of preparation

The Company's financial statements have been prepared in accordance with UK Adopted International Accounting Standards.

The Company's financial statements have been prepared on a historical cost basis, except for the investment in shares of Euroclear Plc which have been classified as equity instruments at fair value through other comprehensive income (FVOCI) under IFRS 9. The Company's financial statements are presented in British Pound Sterling (GBP) which is its functional and presentational currency, and all values are rounded to the nearest thousand GBP (£'000) except where otherwise stated.

These financial statements are prepared based on the Company's financial and liquidity position that there is reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further, the Company has a Credit Facility Agreement with its ultimate Parent, which at the height of the market volatility during the Covid-19 pandemic, was able to be extended as required.

The Company has a well-developed business continuity plan which includes pandemic response, enabling the Group to quickly adapt to these unprecedented circumstances and continue as a viable business. As such whilst there still remains some uncertainty regarding the pandemic and the future economic activity, it does not impact the Company's ability to continue as a going concern and the financial statements are therefore prepared on this basis. Please refer to note 22 for financial risk management and policies. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

3. Accounting Policies

3.1 Cash and cash equivalents

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

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.2 Investment in subsidiary

The Company has elected to account for the investment in subsidiary at cost less impairment.

3.3 Settlement date accounting

The Company has elected to use the settlement date accounting policy for recognising and derecognising trade financial assets. It is the opinion of Directors that settlement date accounting provides a more accurate reflection of the Company's financial position and leverage.

3. Accounting policies (continued)

3.4 Financial instruments

i. Financial assets

Initial recognition and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL (Fair value through profit or loss). The classification is based on their contractual cash flow characteristics and the business models under which they are held. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on settlement date. The Company's financial assets include cash, trade and other receivables and unquoted financial instruments.

Equity instruments at FVOCI

IFRS 9 requires all equity investments to be measured at fair value, however for equity investments that are not held for trading, entities can make an irrevocable election at initial recognition to classify the instruments at FVOCI, with all subsequent changes in fair value being recognised in other comprehensive income (OCI). This election is available for each separate investment.

Under this FVOCI category, fair value changes are recognised in other comprehensive income while dividends are recognised in profit or loss. Upon disposal of the investment, the cumulative change in fair value must remain in other comprehensive income and is not recycled to profit or loss. However, entities have the ability to transfer amounts between reserves within equity.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company is required to recognise and measure impairments in loans and receivables with a forward-looking ECL (expected credit loss) approach. Equity instruments are not subject to impairment under IFRS 9.

The Company applies a simplified approach in calculating ECLs, therefore the Company does not track changes in credit risk, but instead utilises a provision matrix as a methodology for measuring the expected credit loss which is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. Accounting policies (continued)

3.4 Financial instruments – initial recognition and subsequent measurement (continued)

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either: Financial liabilities at amortised cost; or financial liabilities at FVTPL. Financial liabilities are measured at amortised cost unless either: The financial liability is held for trading and is therefore required to be measured at FVPTL or the entity elects to measure the financial liability at FVTPL using the fair value option.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. Financial liabilities are never reclassified. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings

iii. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

iv. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v. Fair value of financial instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

3.5 Revenue recognition

IFRS 15 outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Notes to the financial statements at 31 March 2022 (continued)

3. Accounting Policies (continued)

Turnover

Turnover represents commission receivable from brokerage activities conducted with clients of the Company, net of soft commission charges and net commissions due from group companies in respect of brokerage activities undertaken on their behalf. Commission and soft commission charges are recognised when the trade is executed. In addition, included in Turnover is the receipt from the allocation of global profits under the Instinet Group's transfer pricing methodology.

Interest income

Interest income and expenses are recognised on an accruals basis.

Dividends

Dividend income is recognised when the Company's right to receive the payment is established. Dividends are included in investment income in the Statement of Profit and Loss.

3.6 Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis so as to write-down non-current assets to their residual values over their expected useful lives. Leasehold improvements are written down over the term of the lease or useful life, whichever is shorter; computer and office equipment is written down over a period of between three and five years.

The carrying values of the assets are reviewed for impairments when events or changes in circumstances indicate the carrying value may not be recoverable.

The consumption pattern and method of depreciation are reviewed annually to ensure that they are still appropriate.

3.7 Foreign currency translation

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the reporting period. Foreign currency transactions are converted at the rate of exchange ruling at the transaction date. All exchange differences are dealt with through the profit or loss account in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

3.8 Pensions

The Instinet Group Personal Pension Plan is a defined contribution scheme. The cost of contributions payable by the Company in respect of the Instinet Group Personal Pension Plan for the period is charged against operating profits (see note 7).

3.9 Trade Debtors and Creditors

The gross consideration of brokerage trades undertaken by the Company are recorded on settlement date and are disclosed as counterparty debtors and creditors.

3.10 Cost of Sales

Cost of sales represents the direct costs of providing brokerage services and includes settlement costs payable to other Instinet Group companies and transaction charges from exchanges and third party brokers.

3. Accounting Policies (continued)

3.11 Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the Statement of Financial Position date.

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

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

Deferred tax balances are calculated at the rate at which the balances are expected to be settled, based on tax rates (and laws) that have been substantively enacted or enacted at the Statement of Financial Position date.

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

Deferred tax is not recognised for temporary differences arising with regard to investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Current and deferred tax are charged or credited to other comprehensive income if they relate to items that are charged or credited directly to other comprehensive income. Otherwise the tax is recognised in the profit or loss for the period.

3.12 Stock Borrowing

The Company enters into stock borrowing arrangements. Under a stock borrowing arrangement, a security is borrowed from a counterparty with a commitment to return it at a future date. The securities borrowed are not recognised in the Statement of Financial Position and the transaction is treated as a secured loan. These balances are cash collateralised and the cash included in the Statement of Financial Position.

3.13 Share based payments

Share based payment comprises equity-settled equity awards and cash-settled liability awards.

The cost of equity-settled transactions with employees is measured by reference to the share price of Nomura Holdings Inc. prorated and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

The cumulative expense recognised for equity-settled transactions at each Statement of Financial Position date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The Company has entered into recharge agreements with Instinet Group LLC in respect of the Nomura Stock Plan. Under the terms of the recharge agreements, the Company will be charged for the benefit of share-based compensation at the date of exercise, pro-rated over the period that the employees were in the service of the Company.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional

3. Accounting Policies (continued)

3.14 Share based payments (continued)

expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled or settled, it is treated as if it vested on the date of cancellation or settlement, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled or settled award, and designated as a replacement award on the date that it is granted, the cancelled or settled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations and settlements of equity-settled transaction awards are treated equally.

Certain senior management and employees receive a portion of their variable remuneration in the form of cash-settled liability awards.

Cash-settled liability awards are measured at fair value at each Statement of Financial Position date until settlement and are classified as a corresponding liability. The expense for the period comprises the addition to and reversal of the liability between the two reporting dates and the dividend equivalent paid during the year.

It is clear that:

- where an award is modified, the liability recognised at and after the point of modification will be based on its new fair value, with the effect of any movement in the liability recognised as an expense immediately;
- where an award is cancelled the liability will be derecognised, with a credit immediately recognised in profit or loss; and
- where an award is settled, the liability will be derecognised, and any gain or loss on settlement immediately recognised in profit or loss.

3.15 Stock Lending

The Company enters into stock lending arrangements whereby securities are loaned to counterparties in accordance with the terms of joint agreements with those counterparties. Under these arrangements, ownership of the securities passes to the borrower but the Company has the right to demand the return of the loaned securities at any time. It also retains the right to receive the income to which it would have been entitled had the securities not been loaned. Accordingly, the securities are cash collateralised and the cash included in the Statement of Financial Position.

3.16 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The effect of the time value of money is not considered to be material and therefore the provisions are not discounted.

4. Significant accounting judgement, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgement

In the process of applying the Company's accounting policies, management has made the following judgement, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax asset

Deferred tax assets are recognised for all temporary differences to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on taxes are disclosed in note 10.

Estimates

Valuation of share based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model. The assumptions and approach used for estimating fair value for share-based payment transactions are disclosed in note 20.

Valuation of equity investment

Under IFRS 9, investments in equity instrument must be measured at fair value using the framework within IFRS 13 fair value measurement. Further details are disclosed in note 16.

Impairments

The Company has provided for impairment of receivables, further details are disclosed in note 14.

5. Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of these standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraph 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by; replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The is effective for annual periods beginning or after 1 January 2023.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

This is effective for annual periods beginning on or after 1 January 2023.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

This is effective for annual periods beginning on or after 1 January 2022.

Notes to the financial statements at 31 March 2022 (continued)

6. Directors' emoluments

The Directors' total emoluments for the period, computed in accordance with Schedule 5 of the Companies Act 2006, in respect of their services as directors of the Company, were as follows:

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Aggregate remuneration in respect of qualifying services	660	612
Aggregate amounts receivable under long term incentive plans	242	64
	902	676

There were no retirement benefits accruing during the current year (2021: Nil). Three directors received emoluments in relation to their services to the Company during the year (2021: three). One (2021: one) director received payments with respect to vested shares as a result of the share based payment scheme.

The emoluments of the highest paid director were as follows:

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Aggregate remuneration in respect of qualifying services	445	397
Aggregate amounts receivable under long term incentive plans	242	64
Compensation due to loss of office	-	-
	687	461

The accrued pension entitlement for the highest paid director is £Nil (2021: £Nil).

Share options were exercised by the highest paid director in the current year and also 2021.

Notes to the financial statements at 31 March 2022 (continued)

7. Staff costs

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Wages and salaries	6,439	7,917
Share based payments	222	255
Social security costs	905	1,166
Other pension costs	380	506
	7,946	9,844

Included in other pension costs are £380,000 (2021: £339,000) in respect of contributions payable by the Company for the Instinet Group Pension Plan and £0 (2021: £167,000) in respect of employees' private pension schemes. There were no amounts outstanding or prepaid at the Statement of Financial Position date for these schemes.

The average number of employees during the period was 28 (2021: 37). In the opinion of the Directors there is only one category of employees.

8. Profit / (Loss) before tax from continuing operations

Profit / (Loss) before tax from continuing operations is stated after charging:

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
FX Gain/(Loss) [1]	581	(2,615)
Auditors' remuneration including expenses		
- Audit	235	251
- Other audit assurance	146	157
Management recharge from group undertaking [2]	28,546	45,135

[1] The significant volatility in USD and EUR during the financial year has caused huge fluctuations in foreign exchange year on year.

[2] A management charge is payable to Instinet Global Services Limited for trading and administrative support services, rental costs and other expenses of a non-trading nature, the use of fixed assets and such other services in relation to the equity broking business as may be agreed from time to time, subject to maximum recharge limits.

The Company was profitable this year and therefore Instinet Global Services was able to recharge the management costs carried forward from previous years, thereby reducing the Company's contingent liability to nil.

Notes to the financial statements at 31 March 2022 (continued)

9. Interest and similar income and expense

	Year ended 31 Mar 2022	Year ended 31 Mar 2021
	£'000	£'000
Interest and similar income		
Interest received from group undertakings	1,084	710
Bank interest received	900	394
	1,984	**1,104**
Interest and similar expense		
Interest paid to group undertakings	1,048	1,400
Interest expense on lease liabilities	-	10
Bank interest paid	3,399	2,943
	4,447	**4,353**

Notes to the financial statements at 31 March 2022 (continued)

10. Taxation

The major components of income tax are:

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Current income tax:		
UK Corporation tax	-	176
Overseas tax – current year	-	238
Overseas tax – adjustment in respect of prior years	(114)	(176)
Total current income tax expense/(credit)	**(114)**	**238**
Deferred tax:		
Origination and reversal of temporary differences	(5)	(12)
Effect of changes in tax rates	-	-
Total deferred tax expense	**(5)**	**(12)**
Total income tax expense/(credit)	**(119)**	**226**

Statement of other comprehensive income	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Origination and reversal of temporary differences	2	17
Effect of changes in tax rates	138	-
Deferred tax expense directly to other comprehensive income	**140**	**17**

Reconciliation of the total tax expense

The tax expense in the Statement of Profit and Loss for the period differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Profit from continuing operations before taxation	3,602	-
Tax calculated at UK standard rate of corporation tax of 19% (2021: 19%)	684	-
Expenses not deductible for income tax	9	295
Group relief claimed for nil payment	(671)	-
Foreign tax relief	-	(176)
Effect of overseas tax rates	(114)	238
Change in tax rates	(41)	-
Permanent difference relating to share based payments	14	(1)
Recognition of previously unrecognised benefit on losses	-	(130)
Effect of changes in tax rates- recognised deferred tax	-	-
Total income tax expense	**(119)**	**226**

Notes to the financial statements at 31 March 2022 (continued)

10. Taxation (continued)

Income tax effects relating to other comprehensive income:

	2022			2021		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
	£'000	£'000	£'000	£'000	£'000	£'000
Exchange difference on translation of foreign operations	94	-	94	1,825	-	1,825
Revaluation of available-for-sale assets	7	(2)	5	90	(17)	73
	101	(2)	99	1,915	(17)	1,898

Deferred tax
The deferred tax included in the Statement of Financial Position is as follows:

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Deferred tax liability		
Balance brought forward as at 1 April on revaluation of available-for-sale assets	(438)	(421)
Movement through other comprehensive income statement	(140)	(17)
Balance carried forward at Statement of Financial Position date	**(578)**	**(438)**
Deferred tax asset		
Balance brought forward as at 1 April	129	117
Effect of change in corporate tax rate	41	-
Movement through Statement of Comprehensive Income	(36)	12
Balance carried forward at Statement of Financial Position date	**134**	**129**
Net deferred liability	**(444)**	**(309)**

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Available-for-sale assets	(578)	(438)
Losses	-	-
Accelerated capital allowances	83	64
Share based payments (SARs)	1	20
Share based payments (RSUs)	50	46
Net deferred liability	**(444)**	**(309)**

The headline rate of UK corporation tax remained at 19% for the period. However, Finance Bill 2021, which was 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. The deferred tax balances have therefore been calculated with reference to these rates.

Notes to the financial statements at 31 March 2022 (continued)

10. Taxation (continued)

Country by Country Reporting Under Article 89 of Capital Requirements Directive IV (CRD IV)

The Company's principal activity is that of a matched principal broker, registered as a corporate member of The London Stock Exchange and is authorised by the United Kingdom Financial Conduct Authority.

The Company discloses the following for the year ended 31 March 2022:

	London		France		Germany		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Turnover (£'000)	87,097	117,065	-	6,559	-	573	87,097	124,197
Employees	29	28	-	-	-	-	29	28
Profit/(Loss) before tax (£'000)	3,601	(788)	-	706	-	82	3,601	-
Tax paid on profits (£'000)	-	-	61	-	19	-	80	-

11. Investment in subsidiary

The investment in subsidiary represents the following:

Name of company	Country of incorporation	Principal business	31 Mar 2022 % of equity held	31 Mar 2022 % of votes held
Instinet Germany GmbH	Germany	Agency-Broker	100%	100%

The following table illustrates summarised financial information of the company's investments:

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Carrying amount of the investment as at 31 March	42,020	42,020

Notes to the financial statements at 31 March 2022 (continued)

12. Related party disclosures

Compensation of key management personnel

	Year ended 31 Mar 2022	Year ended 31 Mar 2021
	£'000	£'000
Salaries and other short–term employee benefits	660	612
Share based payments	242	64
Total compensation paid to key management personnel	**902**	**676**

The key management personnel are the Directors of the Company.

The ultimate parent

The ultimate parent of the Company is Nomura Holdings Incorporated. The following transactions were entered into with Nomura Holdings Incorporated:

		Services to ultimate parent £'000	Services from ultimate parent £'000	Amounts owed by ultimate parent £'000	Amounts owed to ultimate parent £'000
Nomura International Plc					
Stockbroking	2022	(231)	596	6,027	(10,645)
	2021	(326)	1,624	2,016	(2,503)
Nomura Securities Company					
Stockbroking	2022	-	152	-	-
	2021	-	584	-	-

		Services to parent £'000	Services from parent £'000	Amounts owed by parent £'000	Amounts owed to parent £'000
Instinet International Ltd					
Funding	2022	-	17	-	(3,525)
	2021	-	12	-	(3,533)

		Services to subsidiary £'000	Services from subsidiary £'000	Amounts owed by subsidiary £'000	Amounts owed to subsidiary £'000
Instinet Germany GmbH					
Stockbroking	2022	(18,707)	-	-	(28,497)
	2021	(6,741)	2,043	-	(1,229)

Notes to the financial statements at 31 March 2022 (continued)

12. Related party disclosures (continued)

During the period the Company entered into transactions with related parties in the normal course of business and on an arm's length basis, these were unsecured and liable to interest at variable rates. The following table provides the amount of transactions that have been entered into for the relevant period with other related parties:

		Services to related parties	Services from related parties	Amounts owed by related parties	Amounts owed to related parties
		£'000	£'000	£'000	£'000
Instinet Holdings Incorporated					
Management Services	2022	-	-	82	-
	2021	-	-	62	-
Instinet LLC					
Stockbroking	2022	(19,598)	-	2,971	(1,016)
	2021	(18,035)	-	-	(2,354)
Instinet Group LLC					
Management services, funding	2022	-	-	-	(5)
	2021	-	-	-	(126)
Instinet Global Services Ltd					
Management services, funding	2022	(991)	31,750	-	(864,258)
	2021	(654)	45,345	-	(463,496)
Instinet Canada Ltd					
Stockbroking	2022	-	-	-	(64)
	2021	-	-	21	-
Instinet Pacific Ltd					
Stockbroking	2022	(93)	-	-	(169)
	2021	-	-	907	-
Instinet Pacific Services Ltd					
Stockbroking	2022	-	-	-	(2)
	2021	-	-	-	(1)
Instinet Singapore Services Pte Ltd					
Stockbroking	2022	-	-	13	-
	2021	-	-	8	-
Instinet Australia Clearing Services Pte Ltd					
Stockbroking	2022	-	-	12	-
	2021	-	-	7	-

Instinet Europe Limited

Notes to the financial statements at 31 March 2022 (continued)

13. Trade and other receivables

	At 31 Mar 2022 £'000	At 31 Mar 2021 £'000
Receivables from counterparties [1]	103,045	62,201
Receivables from group companies [2]	9,106	63,683
Margin collateral	865,391	464,620
Stock Borrowing collateral	139,959	33,265
Other receivables and taxation [3]	6,483	8,203
	1,123,984	631,972

[1] The receivables from counterparties balance includes an amount of £32,382k (2021: £7,900k) that relates to open share positions. As at end of the reporting period, there were no material balances that were past due more than 90 days and were not impaired. Following Russia's invasion of Ukraine in February 2022, the United Kingdom (OFSI), Japan, European Union, US Treasury Department (OFAC), and other countries around the world imposed an unprecedented package of economic sanctions targeting Russia. The Company has processes in place to monitor sanctions to ensure compliance and at year end, there were open exposure amounts of £210,207 which relate to Russian clients or securities. This balance is partially offset by the open Russian position as shown in Note 18.

[2] For other details relating to related party receivables, please refer to note 12.

[3] Other receivables are generally on 30 day terms.

The Company calculates the expected credit losses on trade receivables under the simplified approach using a provision matrix. This is done by applying a default rate percentage across the different segments of the trade receivables. The default rate is based on historical credit loss experience and adjusted for forward-looking information.

As at 31 March 2022, trade receivables of £352k were impaired. See below for the movements in the provision for impairment of receivables.

	Impairment of trade receivables At 31 Mar 2022 £'000	**Impairment of trade receivables At 31 Mar 2021** £'000
At 1 April 2021	**427**	**1,091**
Charged for the year	205	380
Utilised	(116)	(314)
Unused amounts reversed	(141)	(687)
FX	(23)	(43)
At 31 March 2022	**352**	**427**

14. Prepayments and accrued income

	At 31 Mar 2022 £'000	At 31 Mar 2021 £'000
Prepayments	493	434
Accrued interest	6	5
Accrued revenue	3,635	5,007
	4,134	5,446

15. Other current financial assets

	At 31 Mar 2022 £'000	At 31 Mar 2021 £'000
Equity instruments at fair value through other comprehensive income		
Unquoted equity shares (level 2)	2,314	2,306
Investment income	89	90

The Company holds a non-controlling interest (less than 0.1%) in Euroclear Plc. The investment has been designated as equity instruments measured at estimated fair value (see note 23).

16. Cash and cash equivalents

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	At 31 Mar 2022 £'000	At 31 Mar 2021 £'000
Cash at banks and on hand	117,417	95,895
Bank overdrafts (note 17)	(3,886)	(13,471)
	113,531	82,424

Included in cash is an amount segregated under client money rules, see note 18.

17. Interest bearing loans and borrowings

		LIBOR	Maturity	At 31 Mar 2022 £'000	At 31 Mar 2021 £'000
Bank overdraft				3,886	13,471
Interest bearing group loans	EUR	(0.5896)	On Demand	439,786	200,526
Interest bearing group loans	GBP	0.1524	On Demand	84,420	111,077
Interest bearing group loans	USD	0.1102	On Demand	332,407	141,407
				860,499	466,481

The Company has a policy of monitoring future cash flows and liquidity on a daily basis. Amounts owed to group undertakings are unsecured and have no fixed date repayment. At 31 March 2022 amounts totalling £860,499k (2021: £466,481k) were liable based on LIBOR. New loan agreements were signed in May 2022, please refer to Note 24 for further details.

18. Trade and other payables

Current Liabilities

	At 31 Mar 2022 £'000	At 31 Mar 2021 £'000
Payables to counterparties [1]	178,041	124,410
Payables to group companies [2]	51,587	20,156
Accruals and deferred income	8,193	8,269
Stock loan collateral	74,188	35,883
Other payables [3]	14,744	23,423
	326,753	212,141

[1]The payables to counterparties balance includes an amount of £16,524k (2021: £16,424k) of client money which is included in the cash at bank and in hand balance on the Statement of Financial Position. As at year end, the Company had open exposure positions of £239,802 which relate to Russian clients or equities.

[2] For other details relating to related party payables, please refer to note 12.

[3] Other payables are generally on 30 day terms, or payable on demand.

19. Issued capital and reserves

Authorised, called up, allotted, issued and fully paid

	At 31 Mar 2022 No.	At 31 Mar 2021 No.
Ordinary shares at £1 each	56,826,317	56,826,317
Ordinary shares at £0.09745 each	114,618,000	114,618,000
Ordinary shares at £0.10 each	285,510,000	285,510,000
	456,954,317	456,954,317

	At 31 Mar 2022 £'000	At 31 Mar 2021 £'000
Ordinary shares at £1 each	56,826	56,826
Ordinary shares at £0.09745 each	11,170	11,170
Ordinary shares at £0.10 each	28,551	28,551
	96,547	96,547

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the subsidiary.

Revaluation reserve and retained earnings
Revaluation reserve records fair value changes on available for sale financial assets.

Share-based payment reserve
This represents the value of the equity-settled share-based payments provided by the Company's ultimate holding Company and recharge with Instinet Group LLC.

20. Share-based payment

Some of the Company's employees participate in Nomura Holdings Incorporated's (NHI) stock acquisition rights (SARs) plan ("B-Plan"). Each SAR is a right to acquire 100 shares of NHI for 1 yen per share. These rights vest and become exercisable from the vesting date (five years maximum) after the grant date. The values of the SARs at grant date were calculated by reference to the share price of NHI. Given that there is insignificant historical experience available to provide a reliable estimate, the Company assumed that all the options will vest. The total charge for the period relating to SARs was £0 (2021: £0), all of which related to equity-settled share-based payment transactions. Following the introduction of Restricted Stock Units (RSUs), no new SARs, CSU or NIU awards were granted. However, existing unvested awards continue to vest in accordance with their original contractual terms.

A table detailing the SARs outstanding as at 31 March 2022 is shown below:

	Number	Weighted average fair value in pence
Outstanding at 1 April 2021	98	49
Granted during the year	-	-
Forfeited during the year	-	-
Transferred during the year	-	-
Expired during the year	-	-
Exercised during the year	(92)	(39)
Outstanding at 31 March 2022	6	49

The weighted average remaining contractual life for the share options outstanding as at 31 March 2022 is 3 years (2021: 3.2 years).

Notes to the financial statements at 31 March 2022 (continued)

20. Share-based payment (continued)

Restricted Stock Units (RSUs)

Under this plan, RSUs are granted as deferred compensation. Subject to certain conditions, Nomura Holdings Inc will deliver shares of common stock to RSU grantees one to three years (up to seven years where required by local regulations) after the RSUs are granted mainly through disposal of treasury shares. The total charge for the period relating to RSUs was £222,111 (2021: £255,436), all of which related to equity-settled share-based payment transactions.

A table detailing the RSUs outstanding as at 31 March 2022 is shown below:

	Number	Weighted average fair value in pence
Outstanding at 1 April 2021	1,700	555
Granted during the year	811	304
Forfeited during the year	-	-
Transferred during the year	(103)	(35)
Expired during the year	-	-
Exercised during the year	(805)	(276)
Outstanding at 31 March 2022	1,603	559

The weighted average remaining contractual life for the restricted stock units outstanding as at 31 March 2022 is 0.86 years.

Notes to the financial statements at 31 March 2022 (continued)

21. Commitments and contingencies

Contingent liabilities

In the previous financial year, the Company had a contingent liability of £1,488k relating to fees that Instinet Global Services Limited may recover in future years. These fees are contingent upon the extent of future profits of the Company. Due to the profitability of the Company this year, IGSL was able to recharge all its current costs plus any brought forward costs from prior year to the Company thereby reducing the contingent liability to nil.

22. Financial risk management objectives and policies

The Company's trading activities expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit, market, capital management, liquidity, and interest rate risk. The Company has in place risk management policies that seek to limit the adverse effects of these risk factors on the financial performance of the Company.

The Board of Directors have the responsibility for setting the risk management polices applied by the Company. The Directors review and agree policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. The Company is exposed to market risk in respect of market volumes but not exposed directly to equity securities price risk, because the Company trades on a matched principal basis. It should be noted that with the more benign levels market volumes, the Company's own risk exposures are reduced which provides a natural capital hedge should volumes decrease in any longer term recession and lead to operational losses. Conversely, significant spikes in activity see increases in both profitability and risk exposures. To an extent this was significantly stressed through the Covid-19 pandemic and the Russian invasion of Ukraine, though at all time capital headroom was monitored and remained robust, with significant headroom throughout and no triggers on our internal appetite monitoring at any point.

22. Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets and liabilities, mainly cash and cash equivalents and borrowings.

The Company has a policy of maintaining excess funds in cash and short term deposits and is not exposed to significant short-term or long-term interest rate risk. The Company does not use any derivatives to hedge interest rate risk. Any effect of interest rate fluctuation is offset by the management charge payable to Instinet Global Services Limited.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, and Euro. Foreign exchange risk arises from trading and associated activities. Instinet International Ltd group's treasury department is responsible for managing the net position in each foreign currency by using foreign exchange swaps. The Company does not enter into forward exchange contracts for the purpose of hedging transactions. As with interest rates above, any effect of exchange rate fluctuation is offset by the management charge payable to Instinet Global Services Limited.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company has implemented policies that require appropriate credit checks on and limits for potential customers before sales trading commences. Prior to becoming a client, counterparties are subject to a credit review and approval is limited to financial institutions and corporates. The majority of transactions are operated on a delivery versus payment basis. The Company monitors these exposures on a daily basis and the risks have remained within the firm's risk appetite.

The Company records its balance sheet on a trade settlement basis accordingly the maximum exposure of the Company's financial assets to credit risk is equal to the amounts disclosed in the Statement of Financial Position. Also, of the failed trades to deliver as at 31 March 2022, £163,403 remains open at 30 June 2022. Of the failed trades to receive as at 31 March 2022, £141,894 remained open at 30 June 2022.

Liquidity risk

The Company actively maintains a mixture of cash and short-term deposits that is designed to ensure the Company has sufficient funds for operations and trading activities. Cash requirements are monitored and forecast on a regular basis. The Company has arrangements in place for short-term operating and fail financing through a combination of local financing and intra-group borrowings from its intermediate parent, Instinet Holdings Incorporated. Longer term financing is provided by Instinet Holdings Incorporated. At the height of the Covid-19 pandemic and the invasion of Ukraine by Russia, the day to day funding requirements were significantly increased but the Company was able to leverage off its existing funding arrangements with its parent company to ensure that requirements were met at all times.

Capital management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. In line with the new IFPR guidance introduced by the FCA from January 2022, the Company had sufficient capital to meet its capital requirements. The Own Funds Capital ratio at year end is 535.48% which is well above the minimum requirement of 100.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2022.

22. Financial risk management objectives and policies (continued)

Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Company, directly by impairing the value of the Company or indirectly through an obligor's ability to meet its obligations to the Company. Generally, these occurrences relate, but are not limited, to: sovereign events such as defaults or restructuring; political events such as contested elections or referendums; restrictions on currency movements; non-market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Resources were effectively managed at the height of the Covid-19 pandemic and the invasion of Ukraine by Russia when we witnessed huge spikes in volumes and market activity. The systems were also proven to be robust enough to deal with the increase in volumes.

Compliance risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Company incurs financial or reputational risk through imposition of penalties or fines as a result if not adhering to applicable laws; rules and regulations and good market practise (including ethical standards).

23. Fair value of financial instruments

The Company's financial assets classified as equity instruments at FVOCI were measured at fair value using a valuation model, under level 2.

Level 2 uses valuation techniques based on observable inputs, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

For other financial assets and financial liabilities the fair value at the Statement of Financial Position date approximates their carrying amounts, due to the short term nature of these financial instruments.

Movements in level 2 financial instruments measured at fair value

	At 1 April 2021	Revalue of equity instruments at FVOCI	Foreign exchange movement	At 31 March 2022
	£'000	£'000	£'000	£'000
Equity instruments designated at FVOCI (Note 15)	2,306	17	(9)	2,314
	2,306	17	(9)	2,314

24. Subsequent event

New loan agreements have been signed in May 2022 which have an effective date of 1 June 2022 and repayment date of 31 May 2025 or such other date as may be agreed between the parties. Interest is payable based on EURIBOR (Euro Interbank Offer Rate) for EUR loans, SOFR (Secured Overnight Financing Rate) for USD loans and SONIA (Sterling Overnight Index Average) for GBP loans.