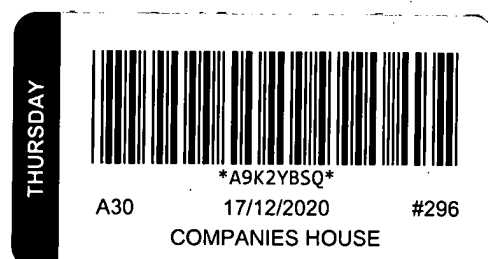


COMPANY REGISTRATION NUMBER 06005750

**TOWER RESEARCH CAPITAL EUROPE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

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TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

COMPANY INFORMATION

Board of directors

A McGroarty
M Bragazzi
D A Ellis
D J J Royet
A McGrath
A T Cappuccino

Company secretary

Hackwood Secretaries Limited

Registered office

The Minster Building
21 Mincing Lane
London
EC3R 7AG

Details of auditor

KPMG LLP
15 Canada Square
London
E14 5GL

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2019.

BUSINESS REVIEW

The principal activity of Tower Research Capital Europe Limited (“the Company”) during the year was engaging in a proprietary trading business in the UK: dealing in equities, commodities, futures, crypto currencies and foreign exchange. The Company is authorised and regulated by the Financial Conduct Authority (“FCA”). The Company is a wholly owned subsidiary of Spire Holding Company Limited. The ultimate parent company is Tower Research Capital Investments LLC (TRCI LLC).

The loss for the year, after taxation, is £3,732,940 (2018: profit - £980,987).

Trading profit showed a decrease in the year, decreasing from £121,157,274 in 2018 to £58,591,103 in 2019. The decrease relates wholly to the fact that trading on EU27 markets was transferred over to a newly established Dutch affiliate during the second quarter of 2019. This transition was actioned as part of the Company’s Brexit planning.

The Company has now completed the implementation of its Brexit contingency plans. Following the outcome of the Brexit vote in June 2016, management considered various scenarios for how to continue operations across markets in the EU27. A decision was made to establish a new entity in the Netherlands and to seek authorisation from the Netherlands Authority for the Financial Markets. That new entity, Tower Research Capital Europe B.V. (TRCE BV), became authorised in February 2019. In light of continuing uncertainty about Brexit, the Company has migrated a substantial part of its business in EU27 markets to TRCE BV. In the second quarter of 2019, the Company undertook a planned migration of a portion of its capital to TRCE BV to support the business in EU27 markets. As part of this plan, the Company made dividends from its distributable reserves to its ultimate parent undertaking, with the parent undertaking making capital contributions of those amounts to TRCE BV. All dividends made by the Company for the year ended 31 December 2019 were for the purposes of this transition of business. Throughout this process the Board ensured that the Company had sufficient capital to meet the FCA’s capital adequacy rules at all times. The Company also conducted stress testing of its capital adequacy under a range of Brexit scenarios, including that of a hard Brexit.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

STRATEGIC REPORT *(continued)*

BUSINESS REVIEW *(continued)*

The Company suffered an operating loss during the year of £3,082,902, driven mainly by a decrease in gross profit given the transition of the EU27 business to the Netherlands. At the end of 2019, the Company had a headcount of 79 compared to 105 at the end of 2018. Shareholder's funds decreased by 50% in 2019, mainly due to dividends to the parent company totalling £30,458,306.

The directors consider profitability to be the sole performance indicator communicating the financial performance and strength of the Company. However, as required by the Capital Requirement Directive IV ("CRD IV"), the Company is required to disclose its return on assets, calculated as profit for the financial year divided by total balance sheet assets.

As at 31 December 2019, the Company's total assets were £86,343,747 (2018: £272,491,734). For 31 December 2019, the return on total assets was -4.32 % (2018: 0.4%).

STATEMENT BY THE DIRECTORS IN THE PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH s172(1) COMPANIES ACT 2006

The Board of Directors of the Company, and each Director, have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the Company's various stakeholders and other matters set out in s172(1)(a-f) of the Act).

Upon appointment, each Director receives training on their duties and obligations under the Act. The following paragraphs summarise how the Directors fulfil their duties with respect to s172:

Business planning and decision making

The Board approves a capital and liquidity plan on an annual basis with three- year base projections assessed to ensure that the Company has a sufficient target capital base to achieve its budget. The Board considers any likely consequences of any decisions in the long term with consideration made with regard to the impact on the Company's regulatory compliance framework and its investment risk framework.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

STATEMENT BY THE DIRECTORS IN THE PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH s172(1) COMPANIES ACT 2006 (continued)

Risk management

As an FCA regulated Company, our activities are highly regulated and as such it is important that the Company has an effective risk management framework in place. The key risks affecting the Company are detailed in pages 5 to 7 below:

Employees

The Company is committed to being a responsible business. The Company aims to be a responsible employer in our approach to the pay and benefits our employees receive, respecting the requirements of the Remuneration Code, as required by the FCA. The Directors of the Company annually review and approve the Remuneration Code policy that details the approach to how employees are compensated.

The Company's behaviour is aligned with the expectations of the Company's people, counterparties, prime broker and exchange venue relationships, and society as a whole. The health, safety and well-being of our employees is one of primary considerations in the way we conduct our business. The Directors have in place a robust business continuity plan that has the health and safety at the forefront of our planning around business continuity and disaster recovery. This is demonstrated by the way in which the Company reacted as the Covid-19 pandemic materialised.

Business Relationships

The business strategy of the Company prioritises organic growth of the net trading book revenues through the development of new strategies and improving the performance of existing strategies. The Company is dependent upon external factors such as volatility and volume in the markets the Company trades on. To enable the Company to achieve this strategy, the Directors of the Company ensure that the Company's employees develop and maintain strong relationships with its brokers, counterparties and trading venues.

Business Conduct

The Directors have a duty to ensure that the Company maintains the highest standards of conduct, including compliance with the FCA's market conduct rules. The Directors receive regular updates from the Company's compliance team, including key performance indicators arising from the monitoring of trading behaviour.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

STRATEGIC REPORT *(continued)*

STATEMENT BY THE DIRECTORS IN THE PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH s172(1) COMPANIES ACT 2006 (continued)

Community and Environment

The Board of Directors considers the impact of the Company's operations on the community and the environment. The Company has launched a matching programme for employee donations to charities working in the response to Covid-19. The Company has also adopted some environmental initiatives in its office.

Engaging with our shareholder

As the Board of Directors, our intention is to behave responsibly towards our shareholder and treat the shareholder fairly and equally, so the shareholder may benefit from the success delivery of our business plan.

PRINCIPAL RISKS AND UNCERTAINTIES

The board meets on a quarterly basis, and evaluates the risk appetite of the Company. The principal risks and uncertainties facing the Company are detailed below:

Legislative risk

Brexit continues to be an area of ongoing uncertainty, but Tower Research's preparations for a 'hard' Brexit are complete through the incorporation and AFM authorisation of a new Dutch legal entity; Tower Research Capital Europe BV ("TRCE BV"). We have established an office in the Netherlands, and have migrated our EU27 trading memberships from the Company to TRCE BV.

In addition, we are aware of forthcoming ESMA market consultations relating to a review of MiFID II/MiFIR, and we will be tracking the progress of these consultations, which have the potential to have a material impact on our business.

Market risk

Market risk arises from price risk and foreign exchange risk on the Company's trading book financial instruments. The Company has minimal exposure to price risk as the Company hedges its securities against other securities or other derivative instruments. The Company is exposed to foreign currency risk on its trading book given the markets the Company trades on. This risk is monitored by senior management to ensure that there is no exposure outside of the Company's risk appetite.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

STRATEGIC REPORT *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The Company's principal exposures relate to funds held on current and deposit accounts with its banks and financial institutions. Management regularly monitors these exposures and maintains an adequate spread of capital to guard against any potential default.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Given the nature of the Company's activities, the Company is exposed to operational risk in every aspect of its day to day business. There is a dedicated risk function that identifies and monitors all aspects of operational risk, assessing appropriate mitigating controls to reduce any likely loss impact.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Given the current nature of the Company's activities the principal liabilities are financial liabilities held at fair value, amounts due to related parties and working capital liabilities, the latter mainly relating to compensation payments. All of these balances are considered to be repayable on demand and the anticipated cash outflows needed to settle these obligations are considered to approximate to the carrying amount shown on page 17.

The Company has a liquidity risk framework, governed via the Individual Liquidity Adequacy Assessment ('ILAA') to ensure sufficient financial resources are available to meet obligations as they fall due.

COVID-19

The spread of COVID-19 in the first quarter of 2020 has introduced significant uncertainty into the world economy and global financial markets, which appears likely to continue for many months. The Directors' first priority has been the safety and wellbeing of the Company's staff. The Company invoked its business continuity plans, eventually resulting in all staff working from home in line with government guidance. The Directors expect the current increased levels of market volatility to continue. Although the Company's trading strategies may benefit from increased market volatility, the Directors anticipate that the Company may be entering a recessionary environment in the broader economy. As such, they will continue to monitor the Company's financial position closely, with a focus on ensuring appropriate levels of capital and liquidity.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

STRATEGIC REPORT *(continued)*

By order of the board



M Bragazzi
Director
The Minster Building
21 Mincing Lane
London
EC3R 7AG
18 June 2020

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the financial statements of Tower Research Capital Europe Limited (the "Company") for the year ended 31 December 2019.

DIRECTORS

The directors who served the Company during the year and since the year end were as follows:

A T Cappuccino (appointed 7 January 2019)

A McGrath (appointed 7 January 2019)

A McGroarty

M Bragazzi

D A Ellis

D J J Royet

N Bonner-Fomes (Non-executive director) (resigned 28 February 2019)

J Papatsos (resigned 14 February 2019)

All of the directors benefited from qualifying third party indemnity provisions in place during the financial year ended 31 December 2019.

DIVIDENDS

On 19 March 2019, the Company declared and paid a dividend up to the parent undertaking for £14,995,955. On 4 April 2019 the Company declared and paid a dividend of £11,503,867 up to the parent undertaking. On 26 April 2019, the Company declared and paid a dividend of £3,958,484 up to the parent undertaking. The Company is not proposing any other final dividends for 2019 (2018: nil).

RESEARCH AND DEVELOPMENT

The Company has carried out research and development activities during the year. The nature of the activities included the development of algorithmic trading systems using software engineering.

FUTURE DEVELOPMENTS

The Company will continue to engage in proprietary trading.

FINANCIAL INSTRUMENTS

Details of the Company's financial instruments are included in note 2.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REPORT *(continued)*

FINANCIAL RISK MANAGEMENT

Details of the Company's financial risk management framework are included in note 2.

PILLAR 3 DISCLOSURE

The Company's Pillar 3 disclosure can be found on the Company's website:

<https://www.tower-research.com>.

GOING CONCERN

The Directors have adopted the going concern basis in preparing these financial statements having given due consideration to the potential impact of Covid-19. In April 2020, the Company undertook financial modelling of the effect of a severe Covid-19 stress scenario caused by a prolonged lockdown. In this scenario, it was assumed that no trading profits are generated in a 6 month period to 30 September 2020, and thereafter, there would be a period of gradual recovery. The results of the stress test analysis focused on the potential impact on regulatory capital ratios and liquidity over a 12 month period. Under this stress test, there were no breaches of regulatory capital or liquidity requirements. The stress scenario applied for this going concern modelling is much more severe than the stress scenarios applied for regulatory requirements. The Directors have a reasonable expectation that the Company maintains adequate financial resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

POLITICAL DONATIONS

The Company made no political donations and did not incur any political expenditure during the year.

BRANCHES

During the year the Company maintained a branch in the Netherlands. Country by Country reporting of this branch can be found in note 23.

POST BALANCE SHEET EVENTS

On the 20 April 2020, the Company declared and paid a dividend of £5,000,000 to its parent company.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REPORT *(continued)*

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



M Bragazzi
The Minster Building
21 Mincing Lane
4th Floor
London
EC3R 7AG

18 June 2020

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWER RESEARCH CAPITAL EUROPE LIMITED

Opinion

We have audited the financial statements of Tower Research Capital Europe Limited ("the Company") for the year ended 31 December 2019 which comprise the profit and loss account, statement of other comprehensive income, balance sheet, statement of changes in equity, cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

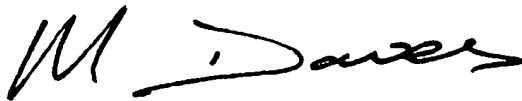
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Matthew Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
18 June 2020

TOWER RESEARCH CAPITAL EUROPE LIMITEDFINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019**PROFIT AND LOSS ACCOUNT**

| | Note | 2019 £ | 2018 £ |
|---------------------------------------------|------|---------------------------|-----------------------|
| TRADING PROFIT | 3 | 58,591,103 | 121,157,274 |
| Trading costs | | <u>(41,284,752)</u> | <u>(74,367,658)</u> |
| GROSS PROFIT | | 17,306,351 | 46,789,616 |
| Administrative expenses | | (34,666,112) | (48,099,480) |
| Other operating income | | <u>14,276,859</u> | <u>8,821,279</u> |
| OPERATING (LOSS)/PROFIT | 4 | (3,082,902) | 7,511,415 |
| Interest receivable and similar income | | 661,155 | 655,965 |
| Interest payable and similar expense | | <u>(2,395,162)</u> | <u>(4,906,239)</u> |
| (LOSS)/PROFIT BEFORE TAXATION | | (4,816,909) | 3,261,141 |
| Tax on (loss)/profit | 7 | <u>1,083,969</u> | <u>(2,280,154)</u> |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | <u><u>(3,732,940)</u></u> | <u><u>980,987</u></u> |

All of the activities of the Company are classed as continuing.

The notes on pages 20 to 40 form part of these financial statements.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

STATEMENT OF OTHER COMPREHENSIVE INCOME

| | Note | 2019 £ | 2018 £ |
|-------------------------------------------------------------------------------------------------|------|---------------------------|-----------------------|
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | (3,732,940) | 980,987 |
| Net loss on revaluation of available-for sale assets | 10 | (333,847) | (118,035) |
| Net loss on investments in available for sale assets reclassified to profit or loss on disposal | | 84,083 | - |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR | | <u>(3,982,704)</u> | <u>862,952</u> |

The notes on pages 20 to 40 form part of these financial statements.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

BALANCE SHEET

| | Note | 31 Dec 2019 £ | 31 Dec 2018 £ |
|------------------------------------------------------------|------|--------------------------|--------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 3,971,816 | 4,336,249 |
| | | <u>3,971,816</u> | <u>4,336,249</u> |
| CURRENT ASSETS | | | |
| Cash at bank and in hand | | 11,927,626 | 10,133,894 |
| Due from brokers | | 20,002,759 | 26,120,430 |
| Available for sale investments | 10 | 672,771 | 1,083,583 |
| Financial assets at fair value through profit or loss | | 34,607,919 | 211,733,765 |
| Other assets | 11 | 942,413 | 72,192 |
| Debtors | 12 | 14,218,443 | 19,011,621 |
| | | <u>82,371,931</u> | <u>268,155,485</u> |
| CURRENT LIABILITIES | | | |
| Due to brokers | | (1,223) | (33,918,936) |
| Financial liabilities at fair value through profit or loss | | (33,820,954) | (123,795,150) |
| Creditors: amounts falling due within one year | 13 | (18,706,575) | (46,521,643) |
| | | <u>(52,528,752)</u> | <u>(204,235,729)</u> |
| NET CURRENT ASSETS | | <u>29,843,179</u> | <u>63,919,756</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>33,814,995</u> | <u>68,256,005</u> |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 18 | 14,500,000 | 14,500,000 |
| Capital Contribution reserve | | 9,733,367 | 9,733,367 |
| Other reserves | | (398,329) | (148,565) |
| Profit and loss account | | 9,979,957 | 44,171,203 |
| SHAREHOLDER'S FUNDS | | <u>33,814,995</u> | <u>68,256,005</u> |

These financial statements were approved by the board of directors and authorised for issue on 18 June 2020 and are signed on their behalf by:



M Bragazzi, Director

Company Registration Number: 06005750

The notes on pages 20 to 40 form part of these financial statements.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

STATEMENT OF CHANGES IN EQUITY

| | Called up Share capital | Capital contribution reserve | Other reserves | Profit and loss account | Total equity |
|-----------------------------------------------------|----------------------------------------|---------------------------------------------|-----------------------|------------------------------------|---------------------|
| | £ | £ | £ | £ | £ |
| Balance at 1 January 2018 | 14,500,000 | - | (30,530) | 43,190,216 | 57,659,686 |
| Profit or loss | - | - | - | 980,987 | 980,987 |
| Capital contributions | - | 9,733,367 | - | - | 9,733,367 |
| Other comprehensive (loss)/ income (see note 10) | - | - | (118,035) | - | (118,035) |
| Total comprehensive income for the period | - | 9,733,367 | (118,035) | 980,987 | 10,596,319 |
| Balance at 31 December 2018 | 14,500,000 | 9,733,367 | (148,565) | 44,171,203 | 68,256,005 |
| Profit or loss | - | - | - | (3,732,940) | (3,732,940) |
| Dividends | - | - | - | (30,458,306) | (30,458,306) |
| Other comprehensive loss (see note 10) | - | - | (249,764) | - | (249,764) |
| Total comprehensive loss for the period | - | - | (249,764) | (34,191,246) | (34,410,010) |
| Balance at 31 December 2019 | 14,500,000 | 9,733,367 | (398,329) | 9,979,957 | 33,814,995 |

The notes on pages 20 to 40 form part of these financial statements.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

| <u>CASH FLOW STATEMENT</u> | | |
|-------------------------------------------------------------|---------------------|--------------------|
| | 2019 | 2018 |
| | £ | £ |
| (Loss)/profit for the financial year | (3,732,940) | 980,987 |
| Adjustments for: | | |
| Disposal of investments | 84,083 | - |
| Depreciation of tangible fixed assets | 485,446 | 246,750 |
| Loss on disposal of tangible fixed assets | 302,609 | 28,785 |
| Interest receivable and similar income | (661,155) | (655,965) |
| Interest payable and similar expense | 2,395,162 | 4,906,239 |
| Taxation | (1,083,969) | 622,396 |
| Increase in other assets | (870,221) | (72,192) |
| Decrease/(increase) in debtors | 4,495,826 | (8,821,130) |
| (Decrease)/increase in creditors | (26,610,918) | 16,450,982 |
| NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | (25,196,077) | 13,686,852 |
| Taxation paid | (115,642) | (79,522) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | (25,311,719) | 13,607,330 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of tangible fixed assets | (130,809) | (4,424,109) |
| Sale of investments | 76,965 | - |
| Interest received | 661,155 | 655,965 |
| NET CASH FROM/(USED IN) INVESTING ACTIVITIES | 607,311 | (3,768,144) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest paid | (2,395,162) | (4,906,239) |
| Dividends paid to immediate parent | (30,458,306) | - |
| Capital contributions | - | 9,733,367 |
| NET CASH (USED IN)/FROM FINANCING ACTIVITIES | (32,853,468) | 4,827,128 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (57,557,876) | 14,666,314 |
| CASH AND CASH EQUIVALENT AT 1 JANUARY | 90,274,003 | 75,607,689 |
| CASH AND CASH EQUIVALENT AT 31 DECEMBER | 32,716,127 | 90,274,003 |

The notes on pages 20 to 40 form part of these financial statements.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Company Information

Tower Research Capital Europe Limited ("the Company") is a private company limited by shares. The Company is incorporated in the United Kingdom and its registered office is at The Minster Building, 21 Mincing Lane, London EC3R 7AG.

Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost accounting rules modified to include the effect of fair value accounting for certain financial instruments as allowed by the Companies Act 2006. The financial statements have been prepared in accordance with the UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") and with the Companies Act 2006. The Company's functional and presentational currency is the pound sterling.

The Country-by-Country Reporting disclosures have been prepared to comply with The Capital Requirement (Country-by-Country Reporting) Regulation 2013 which implements article 89 of the Capital Requirements Directive IV ('CRD IV').

The Directors have adopted the going concern basis in preparing these financial statements having given due consideration to the potential impact of Covid-19. In April 2020, the Company undertook financial modelling of the effect of a severe Covid-19 stress scenario caused by a prolonged lockdown. In this scenario, it was assumed that no trading profits are generated in a 6 month period to 30 September 2020, and thereafter, there would be a period of gradual recovery. The results of the stress test analysis focused on the potential impact on regulatory capital ratios and liquidity over a 12 month period. Under this stress test, there were no breaches of regulatory capital or liquidity requirements. The stress scenario applied for this going concern modelling is much more severe than the stress scenarios applied for regulatory requirements. The Directors have a reasonable expectation that the Company maintains adequate financial resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

In the opinion of the directors, the presentation of turnover, cost of sales and gross profit envisaged by the Companies Act 2006 is not applicable to the Company. The appropriate presentation therefore is for the profit and loss account to begin with "trading profit" which comprises all gains and losses related to the Company's trading activities.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES *(continued)*

Summary of significant accounting policies *(continued)*

(b) Judgements and key sources of estimation uncertainty

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. Where an amount is estimated, it is discussed and agreed by the Directors. The Directors do not consider there to be any significant estimates in the financial statements at year end.

(c) Cash flow statement

Net funds, for the purpose of the cash flow statement, comprised cash held at banks, cash at clearing brokers, and financial assets and liabilities at fair value available at year end. Financial assets are investments that are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

(d) Due from brokers

The amounts receivable from brokers arise in the ordinary course of business and are pursuant to clearing agreements with the clearing firms. The Company carries its receivables from clearing brokers account at value that includes net cash balances less an allowance for doubtful accounts, if applicable. On a periodic basis, the Company evaluates these accounts and establishes an allowance for doubtful accounts, if needed, based on a history of past write-offs and collections and current credit conditions.

(e) Financial instruments and investments

The Company has applied the recognition and measurement provisions of International Accounting Standard 39 (as adopted for use in the EU) and the disclosure requirements of Section 11 and 12 of FRS 102.

The Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss (FVPL), held to maturity investments (HTM), and available for sale investments (AFS). Management determines the classification of its investments at initial recognition. When financial assets are recognised initially, they are measured at fair value. Fair value is determined by reference to quoted prices in active markets.

Financial assets at FVPL include those financial assets held for trading, financial assets designated upon initial recognition as FVPL and derivative instruments. Gains and losses arising from changes in the fair value of the financial assets at FVPL are included in the profit and loss account in the period in which they arise.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES *(continued)*

Summary of significant accounting policies *(continued)*

(e) Financial instruments and investments *(continued)*

AFS investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Gains and losses arising from changes in the fair value of securities classified as AFS are recognised in other comprehensive income. When securities classified as AFS investments are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as profit or loss from investment securities.

The Company does not have any HTM financial assets.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

The Company values investments in securities and securities sold short that are freely tradable at their last sales price as of the end of each business day. The Company may use futures contracts to gain exposure to, or hedge against, changes in the fair value of equities or other futures contracts.

(f) Crypto currency assets

The Company holds open positions in crypto currency assets in its trading book. These assets are measured at fair value. Fair value is determined by reference to quoted prices in active markets.

(g) Trading profit

The trading profit shown in the profit and loss account represents the net amount earned during the year from proprietary trading.

The trading profit is calculated by recognising the market value of the Company's portfolio. Unrealised income/loss on open positions is also included in the trading profit.

(h) Trading costs

The trading costs shown in the profit and loss account represent costs associated with the proprietary trading performed.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES *(continued)*

Summary of significant accounting policies *(continued)*

(i) Tangible assets and depreciation

Tangible assets are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|--------------------|--------------------------------------|
| Leasehold property | - Life of lease: straight line basis |
| Computer equipment | - 3 years: straight line basis |
| Furniture | - 7 years: straight line basis |

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(j) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

(k) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on a monthly basis. Exchange differences are taken into account in arriving at the operating profit.

(l) Taxation

The current tax charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The rates used are tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES *(continued)*

Summary of significant accounting policies *(continued)*

(m) Netting

The Company has in place master netting agreements that stipulate if both parties to a transaction are required to make payments under the agreement in the same currency on the same day, the party which owes the higher amount will pay the difference between the amounts owed. This agreement meets the criteria for offsetting in the balance sheet. This is because firstly, they create for parties to the agreement a legally enforceable right to set-off the recognised amounts, and secondly that both parties to these agreements regularly engage on a net basis. The entities included within the master netting agreement are Tower Research Capital LLC, Tower Research Capital Investments LLC, Spire X Trading LLC, Tower Research Capital Europe B.V., and Tower Research Capital (Singapore) Private Limited. The master netting agreement allows for a legal right, intention and ability to offset assets and liability balances with these affiliated entities. Such balances are shown as a net debtor or creditor within the financial statements; otherwise they are shown gross.

2. FINANCIAL RISK MANAGEMENT

The objective of financial risk management is to plan, organise and perform sufficient actions to provide reasonable assurance that the Company's overall objectives and goals will be met, and to limit the risk of adverse events occurring to a level that is acceptable to the board.

The Company identifies and manages its key financial risks by means of a risk management policy that is appropriate to its size while preserving its effectiveness.

The main risks of the Company, and the management of them, are set forth below:

Exposure to foreign currency risk

The Company has exposure to foreign currency risk to the extent that balances are maintained in foreign currencies where required for the proper operation of the business. Any foreign exchange risk arising out of this is monitored by senior management and regulatory capital is maintained to cover the assessed risk of adverse changes in exchange rates.

The Company is most exposed to currency risk in its Euro and US Dollar deposits. A 10% increase in the sterling exchange rate against the Euro and US Dollar will increase profit before tax by £1.2 million in 2019 (2018: £1.7 million increase). The Company's management aims to hold GBP whenever possible.

Set out below are financial instruments of the Company by currency:

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

2. FINANCIAL RISK MANAGEMENT *(continued)*

Exposure to foreign currency risk *(continued)*

31 December 2019

| | GBP £ | EUR £ | USD £ | Other £ | Total £ |
|------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| ASSETS | | | | | |
| Cash at bank | 10,337,350 | 157,563 | 1,432,713 | - | 11,927,626 |
| Due from brokers | 24,037,426 | (19,714,961) | 27,866,620 | (12,186,326) | 20,002,759 |
| Available for sale investments | 295,000 | - | 377,771 | - | 672,771 |
| Financial assets at fair value through profit and loss | 12,888,752 | 12,181,246 | 265,473 | 9,272,448 | 34,607,919 |
| Debtors | 9,071,693 | (284,056) | 4,489,773 | (360,734) | 12,916,676 |
| TOTAL CURRENT ASSETS | 56,630,221 | (7,660,208) | 34,432,350 | (3,274,612) | 80,127,751 |
| Due to brokers | - | - | - | (1,223) | (1,223) |
| Financial liabilities at fair value through profit or loss | (17,092,204) | (3,419,533) | (88,196) | (13,221,021) | (33,820,954) |
| Creditors: amounts falling due within one year | (6,967,881) | (582,109) | (10,832,431) | (324,154) | (18,706,575) |
| TOTAL LIABILITIES | (24,060,085) | (4,001,642) | (10,920,627) | (13,546,398) | (52,528,752) |
| NET BOOK VALUE | 32,570,136 | (11,661,850) | 23,511,723 | (16,821,010) | 27,598,999 |

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

2. FINANCIAL RISK MANAGEMENT *(continued)*

Exposure to foreign currency risk (continued)

31 December 2018

| | GBP £ | EUR £ | USD £ | Other £ | Total £ |
|------------------------------------------------------------|-------------------|----------------------|---------------------|---------------------|----------------------|
| ASSETS | | | | | |
| Cash at bank | 4,113,382 | 354,786 | 5,665,726 | - | 10,133,894 |
| Due from brokers | 6,650,064 | (860,496) | 36,723,637 | (16,392,775) | 26,120,430 |
| Available for sale investments | 295,000 | - | 788,583 | - | 1,083,583 |
| Financial assets at fair value through profit and loss | 18,377,437 | 172,583,687 | 165,617 | 20,607,024 | 211,733,765 |
| Debtors | 9,712,988 | 59,364 | 7,683,610 | 68,392 | 17,524,354 |
| TOTAL CURRENT ASSETS | 39,148,871 | 172,137,341 | 51,027,173 | 4,282,641 | 266,596,026 |
| Due to brokers | 52,785,927 | (105,656,998) | (1,245,382) | 20,197,517 | (33,918,936) |
| Financial liabilities at fair value through profit or loss | (20,233,969) | (64,336,231) | (28,568) | (39,196,382) | (123,795,150) |
| Creditors: amounts falling due within one year | (9,538,631) | (1,416,511) | (33,453,502) | (455,241) | (44,863,885) |
| TOTAL LIABILITIES | 23,013,327 | (171,409,740) | (34,727,452) | (19,454,106) | (202,577,971) |
| NET BOOK VALUE | 62,162,198 | 727,601 | 16,299,721 | (15,171,465) | 64,018,055 |

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

2. FINANCIAL RISK MANAGEMENT *(continued)*

Exposure to price risk

The Company has minimal risk to equity securities price risk as the Company hedges these securities against other securities or other instruments.

Exposure to credit risk

The Company maintains an exposure in connection with funds held on current and deposit accounts with its banks and other financial institutions. In addition, the Company has exposures with its affiliated entities. The board regularly monitors these exposures and maintains an adequate spread of capital to guard against any potential default. The table below groups the Company's counterparties by long term credit rating and shows the percentage of financial assets at each rating.

| Credit rating of counterparties Standard & Poor's/Moody's | 31/12/2019 Financial Assets | Asset Concentration |
|--------------------------------------------------------------|-----------------------------|---------------------|
| A+/Aa3 | 17,112,452 | 33.36% |
| Aa2 | 2,336,606 | 4.55% |
| Baa2 | 697,636 | 1.36% |
| B+ | 7,957,370 | 15.51% |
| Unrated | 23,199,828 | 45.22% |

| Credit rating of counterparties Standard & Poor's/Moody's | 31/12/2018 Financial Assets | Asset Concentration |
|--------------------------------------------------------------|-----------------------------|---------------------|
| A+/Aa3 | 9,666,918 | 17.52% |
| Aa2 | 4,525,664 | 8.20% |
| BBB+/A3 | - | - |
| B+ | 15,673,652 | 28.41% |
| Unrated | 24,531,388 | 44.47% |
| Various | 771,660 | 1.40% |

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

2. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity and cash flow risk

To reduce liquidity risk and cash flow risk the board aims to ensure that a substantial portion of the Company's assets consist of cash instruments and readily available securities. During the maturity analysis of derivative and non-derivative financial liabilities, the Company concluded that all liabilities for this year and the prior year had contractual maturity between 0-6 months at year end.

Analysis of financial instruments

A fair value hierarchy for inputs is used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorised into three levels based on the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derivatives from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data.

| <i>Assets at 31 December 2019</i> | Level 1 | Level 2 | Level 3 |
|----------------------------------------|---------------|---------|---------|
| | £ | £ | £ |
| Available for sale investments | 377,771 | - | 295,000 |
| Financial assets, at fair value | 34,607,919 | - | - |
| <i>Liabilities at 31 December 2019</i> | Level 1 | Level 2 | Level 3 |
| Financial liabilities, at fair value | (33,820,954) | - | - |
| <i>Assets at 31 December 2018</i> | Level 1 | Level 2 | Level 3 |
| | £ | £ | £ |
| Available for sale investments | 788,583 | - | 295,000 |
| Financial assets, at fair value | 211,733,765 | - | - |
| <i>Liabilities at 31 December 2018</i> | Level 1 | Level 2 | Level 3 |
| Financial liabilities, at fair value | (123,795,150) | - | - |

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3. TRADING PROFIT

The trading profit before tax is attributable to the principal activity of the Company. An analysis of the trading profit is given below:

| | 2019 | 2018 |
|-----------------------------|--------------------------|---------------------------|
| | £ | £ |
| United Kingdom | 7,913,787 | 12,560,213 |
| Europe (excluding UK) | 50,282,194 | 108,675,685 |
| Americas | 894 | (646,677) |
| Asia | 394,228 | 568,053 |
| TOTAL TRADING PROFIT | <u>58,591,103</u> | <u>121,157,274</u> |

In the opinion of the directors, reporting on net profits and net assets by geographical area would be seriously prejudicial to the interest of the Company and as a result the directors do not wish to make such disclosure.

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

| | 2019 | 2018 |
|-----------------------------------------------------------------------------------|-------------|-------------|
| | £ | £ |
| Depreciation of fixed assets | 485,446 | 246,750 |
| Loss on disposal of fixed assets | 17,993 | 28,785 |
| Net gain on foreign currency translation | 54,624 | (190,143) |
| Research and Development credits | (3,616,940) | (5,561,603) |
| Operating lease charges | 918,211 | 799,109 |
| Fees paid to the Company's auditor for the audit of the Company's annual accounts | 81,610 | 64,529 |
| Fees paid to the Company's auditor and its associates for other services: | | |
| Taxation compliance services | 11,300 | 8,850 |
| Other taxation services | 17,500 | 7,050 |
| Audit related assurance services | 10,500 | 7,610 |
| Other non audit services | 7,200 | 7,200 |

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the Company, including directors, during the financial year amounted to:

| | 2019 | 2018 |
|--------------------------|------|------|
| Directors | 6 | 6 |
| Support/management staff | 49 | 49 |
| Trading staff | 41 | 51 |

| | 2019 | 2018 |
|------------------------------------------------------|--------------------------|--------------------------|
| Staff costs (including directors) consist of: | £ | £ |
| Wages and salaries | 29,715,738 | 41,159,881 |
| Pension costs | 784,344 | 579,380 |
| Social security costs | 3,840,455 | 5,101,500 |
| | <u>34,340,537</u> | <u>46,840,761</u> |

6. DIRECTORS' REMUNERATION

The directors' aggregate emoluments in respect of qualifying services were:

| | 2019 | 2018 |
|-------------------------------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Directors' emoluments | 2,402,880 | 2,537,364 |
| Company's contribution to defined contribution scheme | 66,225 | 35,359 |
| Total | <u>2,469,105</u> | <u>2,572,723</u> |

Emolument of highest paid director:

| | | |
|-------------------------------------------------------|-------------------------|-------------------------|
| Total emoluments | 1,259,083 | 1,263,806 |
| Company's contribution to defined contribution scheme | 20,475 | 11,042 |
| Total | <u>1,279,558</u> | <u>1,274,848</u> |

5 (2018: 4) directors are members of defined contribution schemes.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

7. TAXATION ON PROFIT

(a) Analysis of tax expense

| | 2019 £ | 2018 £ |
|-----------------------------------------------------------------------|--------------------|------------------|
| Current tax | | |
| UK Corporation tax (credit)/charge at average rate of 19% (2018: 19%) | (1,633,012) | 2,314,950 |
| Withholding taxes | 691,080 | - |
| Over provision in prior year | (1,785,581) | (34,796) |
| Total current tax | (2,727,513) | 2,280,154 |
| Deferred tax: | | |
| Tax losses carried forward | 1,665,710 | |
| Timing differences | (22,166) | - |
| Total deferred tax (note 14) | 1,643,544 | - |
| Tax on profit on ordinary activities | (1,083,969) | 2,280,154 |

b) Factors affecting tax on profit on ordinary activities

| | 2019 £ | 2018 £ |
|--------------------------------------------------------|--------------------|------------------|
| (Loss)/profit before taxation | (4,816,909) | 3,261,141 |
| (Loss)/profit at rate of tax | (915,213) | 619,617 |
| Expense not deductible for tax purposes | 19,508 | 1,692,560 |
| Capital allowances in excess of depreciation | (50,089) | (59,900) |
| Adjustment to tax charge in respect of previous period | (1,785,581) | (34,796) |
| Income taxed at prior years' rates | 3,862 | 62,673 |
| Other timing differences | (22,166) | - |
| Deferred tax asset not recognised | 1,665,710 | - |
| | (1,083,969) | 2,280,154 |

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020.

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

8. DIVIDENDS

| | 2019 £ | 2018 £ |
|------------------------------|-------------------|-----------|
| Paid during the year: | | |
| Dividends on equity shares | <u>30,458,306</u> | <u>-</u> |

9. TANGIBLE FIXED ASSETS

| | Furniture £ | Assets Under Construction £ | Leasehold Property £ | Computer Equipment £ | Total £ |
|---------------------------------|----------------|-----------------------------------|----------------------------|----------------------------|------------------|
| COST | | | | | |
| 1 January 2019 | 199,663 | 282,581 | 3,883,177 | 376,093 | 4,741,514 |
| Additions | 15,973 | 24,619 | 491,994 | 51,829 | 584,415 |
| Disposals | (46,759) | (284,617) | - | - | (331,376) |
| Other movements | (146,315) | - | (14,478) | - | (160,793) |
| 31 December 2019 | 22,562 | 22,583 | 4,360,693 | 427,922 | 4,833,760 |
| ACCUMULATED DEPRECIATION | | | | | |
| At 1 January 2019 | 31,745 | - | 127,617 | 245,903 | 405,265 |
| Reclassification | (5,487) | - | 5,487 | - | - |
| Depreciation | 8,112 | - | 419,065 | 87,934 | 515,111 |
| Disposals | (28,767) | - | - | - | (28,767) |
| Other movements | - | - | (29,665) | - | (29,665) |
| At 31 December 2019 | 5,603 | - | 522,504 | 333,837 | 861,944 |
| NET BOOK VALUE | | | | | |
| At 31 December 2018 | 167,918 | 282,581 | 3,755,560 | 130,190 | 4,336,249 |
| At 31 December 2019 | <u>16,959</u> | <u>22,583</u> | <u>3,838,189</u> | <u>94,085</u> | <u>3,971,816</u> |

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

10. AVAILABLE FOR SALE INVESTMENTS

| | 2019 | 2018 |
|--------------------------------------------------------------------------|----------------|------------------|
| | £ | £ |
| At 1 January | 1,083,583 | 1,201,618 |
| Disposals | (76,965) | |
| Foreign currency (losses)/gains recognized in other comprehensive income | (24,241) | 46,381 |
| Losses recognised in other comprehensive income | (309,606) | (164,416) |
| At 31 December | <u>672,771</u> | <u>1,083,583</u> |

The above available for sale investments represent investments in CME linked seats and 5,000 B shares in LME Holdings Limited. For the CME linked seats, there is a readily available mark to market price on all of them and hence they are classified as level 1 investments. During the year, the Company disposed of two of its CME linked seats.

The Company holds 5,000 B shares in LME Holdings Limited as part of its membership of the London Metal Exchange. These shares are a minimum requisite for membership to the London Metal Exchange. These are non-listed investments as there is no active market for these shares. This investment is valued at cost at the balance sheet date.

11. OTHER ASSETS

| | 2019 | 2018 |
|------------------------|----------------|---------------|
| | £ | £ |
| Crypto currency assets | <u>942,413</u> | <u>72,192</u> |

12. DEBTORS

| | 2019 | 2018 |
|---------------------------------------------|-------------------|-------------------|
| | £ | £ |
| Other debtors | 2,302,981 | 4,580,557 |
| Amounts owed by related party (see Note 17) | 10,358,449 | 12,692,657 |
| Prepayments | 1,301,766 | 1,335,176 |
| Accrued income | 158,972 | 251,676 |
| Corporation tax | 96,275 | 129,389 |
| Deferred tax | - | 22,166 |
| | <u>14,218,443</u> | <u>19,011,621</u> |

TOWER RESEARCH CAPITAL EUROPE LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

13. CREDITORS: Amounts falling due within one year

| | 2019 | 2018 |
|---------------------------------------------|-------------------|-------------------|
| | £ | £ |
| Trade creditors | 346,623 | 1,277,853 |
| Amounts owed to related party (see Note 17) | 28,644 | 6,983,931 |
| Other taxation | 12,779 | 142,803 |
| Other creditors | 530,422 | 1,715,366 |
| Accruals and deferred income | 17,788,107 | 36,401,690 |
| | <u>18,706,575</u> | <u>46,521,643</u> |

14. DEFERRED TAX

The Company has the following recognised deferred tax asset:

| | 2019 | 2018 |
|--------------------|----------|---------------|
| | £ | £ |
| Timing differences | <u>-</u> | <u>22,166</u> |

| | 2019 | 2018 |
|-----------------------------------------|----------|---------------|
| | £ | £ |
| Deferred tax balance on 1 January | 22,166 | 22,166 |
| Profit and loss account charge (note 7) | (22,166) | - |
| Deferred tax balance on 31 December | <u>-</u> | <u>22,166</u> |

The Company has the following unrecognised deferred tax asset:

| | 2019 | 2018 |
|------------------------|------------------|----------|
| | £ | £ |
| Losses carried forward | <u>1,665,710</u> | <u>-</u> |

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15. COMMITMENTS

At 31 December 2019 the Company had the following future minimum operating lease payments as set out below:

| | Land and Buildings | |
|--------------------------------|--------------------|-----------|
| | 2019 | 2018 |
| | £ | £ |
| Operating leases which expire: | | |
| Within 1 year | 725,417 | - |
| Within 2 to 5 years | 4,352,500 | 5,077,917 |
| Greater than 5 years | 3,627,083 | 3,627,083 |

On 30 April 2018, the Company entered into a 10 year lease with a 5 year break clause. The lease commitments total £1,088,125 per annum, payable after a 2 year rent-free period. The Company has no other off-balance sheet arrangements.

16. CONTINGENCIES

There is a cross-guarantee in place in respect of broker facilities of Tower Research Capital Europe B.V. up to €25,000,000.

17. RELATED PARTY TRANSACTIONS

Recharges of £16,503,094 (2018: £15,887,705) were made by Tower Research Capital LLC in respect of trading related costs incurred by Tower Research Capital LLC relating to the Company's operations. Recharges of £1,291,925 (2018: £813,415) were made by Tower Research Capital LLC in respect of software, service fees, expense recharges and administrative support relating to the Company's operations. An amount of £476,015 (2018: £259,157) was payable to Tower Research Capital LLC in respect of software, service fees and administrative support as at 31 December 2019. In total, £3,122,617 (2018: £6,913,254) was due to Tower Research Capital LLC as at 31 December 2019.

Recharges of £6,586,587 (2018: £10,603,871) were charged to Spire X Trading LLC, an affiliated entity of the Tower Research Capital group, in respect of trading related costs incurred by the Company's operations. In addition, expenses of £5,697,396 (2018: £2,613,930) were charged back by the Company during the year in relation of software, service fees, expense recharges and administrative support. In total £8,310,713 (2018: £10,862,486) was payable by Spire X Trading LLC as at 31 December 2019.

Recharges of £1,262,238 (2018: £700,779) were charged to Tower Research Capital (Singapore) Pte. Ltd, an affiliated entity of the Tower Research group, in respect of trading related costs incurred by the Company's operations. Recharges of £1,076,702 (2018: £636,608) were paid to Tower Research Capital (Singapore) Pte. Ltd during the year relating to trading costs. In total £205,499 (2018: £1,688,160) was payable to Tower Research Capital (Singapore) Pte. Ltd as at 31 December 2019.

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17. RELATED PARTY TRANSACTIONS *(continued)*

The Company facilitated conversion of currency assets totaling £17,960,655 during the year for Tower Research Capital (Singapore) Pte. No balance remained outstanding due to Tower Research Capital (Singapore) Pte as at 31 December 2019.

Recharges of £16,790,156 (2018: nil) were charged to Tower Research Capital Europe BV, an affiliated entity of the Tower Research group, in respect of trading related costs incurred by the Company's operations. Recharges of £2,806,820 (2018: nil) were paid to Tower Research Capital Europe BV during the year relating to trading costs. In total £4,836,729 (2018: nil) was receivable from Tower Research Capital Europe BV at 31 December 2019.

An amount of £1,121 (2018: nil) was receivable from Tower Research Capital Israel LLC at 31 December 2019.

Service fees of £53,242 (2018: £69,049) were charged by TRC Systems LLC Italy, an affiliated entity of the Tower Research Capital group, to the Company during the year. £4,918 (2018: £14,390) was payable by the Company as at 31 December 2019.

Service fees of £40,432 (2018: £89,110) were charged by TRC Systems LLC Switzerland, an affiliated entity of the Tower Research Capital group, to the Company during the year. £5,055 (2018: £8,011) was payable by the Company as at 31 December 2019.

Service fees of £53,290 (2018: £162,554) were charged by TRC Systems LLC Germany, an affiliated entity of the Tower Research Capital group, to the Company during the year. £2,464 (2018: £35,284) was payable by the Company as at 31 December 2019.

Service fees of £4,952 (2018: £11,500) were charged by TRC Systems LLC Canada, an affiliated entity of the Tower Research Capital group, to the Company during the year. A receivable of £54 (2018: payable of £4,858) was due from TRC Systems LLC Canada as at 31 December 2019.

Service fees of £79 (2018: £10,111) were charged by TRC Systems LLC Japan, an affiliated entity of the Tower Research Capital group, to the Company during the year. £nil (2018: £1,564) was payable by the Company as at 31 December 2019.

Service fees of £nil (2018: £1,071) were charged by TRC Systems LLC Hong Kong, an affiliated entity of the Tower Research Capital group, to the Company during the year.

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17. RELATED PARTY TRANSACTIONS (*continued*)

Service fees of £38,848 (2018: £78,169) were charged by TRC Systems LLC Sucursal En Espana, an affiliated entity of the Tower Research Capital group, to the Company during the year. £3,843 (2018: £4,672) was payable by the Company as at 31 December 2019.

Service fees of £406,370 (2018: £313,444) were charged by TRC Networks LLC UK, an affiliated entity of the Tower Research Capital group, to the Company during the year. Recharges of £196,224 (2018: £63,019) were charged to TRC Networks LLC in relation to service fees and other expenses by the Company. Overall, £117,949 (2018: £19,050 payable) was receivable by the Company as at 31 December 2019.

Service fees of £126,457 (2018: nil) were charged by TRC Systems LLC Singapore, an affiliated entity of the Tower Research Capital group, to the Company during the year. £12,606 (2018: nil) was payable by the Company as at 31 December 2019.

Service fees of £4,643 (2018: nil) were charged to TRC Systems LLC, an affiliated entity of the Tower Research Capital group, to the Company during the year. £9,000 (2018: nil) was receivable by the Company as at 31 December 2019.

The master netting agreement allows for a legal right, intention and ability to offset assets and liability balances with these affiliated entities. The above balances are shown as a net debtor or creditor within the financial statements.

18. ALLOTTED, CALLED UP AND FULLY PAID CAPITAL

| | 2019 | 2018 | 2019 | 2018 |
|-------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Number of Shares | | £ | £ |
| Ordinary shares at £1 each at 1 January | 14,500,000 | 14,500,000 | 14,500,000 | 14,500,000 |
| Ordinary shares at £1 each at 31 December | 14,500,000 | 14,500,000 | 14,500,000 | 14,500,000 |

There exists only a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital. The ordinary shares are issued at par.

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19. NOTES TO THE CASH FLOW STATEMENT

Cash, for the purpose of the cash flow statement, comprised cash held at banks, cash at clearing brokers, and financial assets and liabilities at fair value.

| | 2019 | 2018 |
|--------------------------------------|-------------------|-------------------|
| | £ | £ |
| Cash at bank | 11,927,626 | 10,133,894 |
| Due from broker | 20,002,759 | 26,120,430 |
| Financial assets, at fair value | 34,607,919 | 211,733,765 |
| Due to broker | (1,223) | (33,918,936) |
| Financial liabilities, at fair value | (33,820,954) | (123,795,150) |
| Net funds | 32,716,127 | 90,274,003 |

20. CAPITAL MANAGEMENT

Accounting capital is defined as the total of share capital, other reserves and retained earnings. Total capital at 31 December 2019 was £33,814,995 (2018: £68,256,005). The Company is authorised and regulated by the FCA, and as such must maintain adequate Regulatory capital, as defined by the FCA, at all times. Capital adequacy is monitored daily. The calculation of regulatory capital requires certain adjustments to and certain deductions from accounting capital. For the year ended 31 December 2019, the Company reported no breaches (2018: none) in its capital adequacy to the FCA. At 31 December 2019, the Company maintained sufficient regulatory capital to meet its capital adequacy requirement.

21. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Spire Holding Company Limited, a company registered and incorporated in Bermuda. Spire Holding Company Limited's address of incorporation is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The financial statements of Spire Holding Company Limited are not available to the general public.

The Company's ultimate parent undertaking is Tower Research Capital Investments LLC, incorporated in the USA. Tower Research Capital Investments LLC is a limited liability company organised under the laws of Delaware, USA. Tower Research Capital Investments LLC's registered office is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801 USA. The financial statements of Tower Research Capital Investments LLC are not available to the general public. The ultimate controlling party is M Gorton, who owns (via a Delaware limited liability company) approximately 49.99% of the ultimate parent company as of 31 December 2019.

22. POST BALANCE SHEET EVENTS

On the 20 April 2020, the Company declared and paid a dividend of £5,000,000 to its parent company.

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22. POST BALANCE SHEET EVENTS *(continued)*

The Company performed an evaluation of subsequent events through to the date the financial statements were made available to be issued. The Company determined that based on its evaluation there were no items that would affect the reported amounts in the financial statements as of 31 December 2019.

The COVID-19 pandemic is classified as a non-adjusting post-balance sheet event and there are no significant changes as a result of the COVID-19 pandemic on the Company's reported financial position as of 31 December 2019 that require additional disclosure in these financial statements. The impact of this post balance sheet event on the directors' assessment of the Company's going concern position is included in note 1 to these financial statements.

The Company continues to monitor the status of Coronavirus and the potential impact on its business. For further information, see the COVID-19 section of the Strategic Report.

23. COUNTRY BY COUNTRY REPORTING

The tables below disclose the country by country reporting for the year ended 31 December 2019 and the comparative period:

| Nature of activities | Country of Establishment | Turnover GBP (000's) | Profit and Loss After Tax GBP (000's) | Corporation Tax Paid/(received) GBP (000's) | Average number of employees on a full time equivalent basis | Public subsidies received GBP (000's) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------|---------------------------------------|---------------------------------------------|-------------------------------------------------------------|---------------------------------------|
| The principal activity of the Company during 2019 was proprietary trading in equities and futures on a high frequency algorithmic basis across various major European exchanges. | United Kingdom | 58,591 | (3,733) | 221 | 96 | - |
| The principal activity of the branch during 2019 was the provision of software development. | Netherlands | - | - | (105) | - | - |
| Total | | 58,591 | (3,733) | 116 | 96 | - |

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23. COUNTRY BY COUNTRY REPORTING *(continued)*

Year ended 31 December 2018

| Nature of activities | Country of Establishment | Turnover GBP (000's) | Profit and Loss After Tax GBP (000's) | Corporation Tax Paid GBP (000's) | Average number of employees on a full time equivalent basis | Public subsidies received GBP (000's) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------|---------------------------------------|----------------------------------|-------------------------------------------------------------|---------------------------------------|
| The principal activity of the Company during 2018 was proprietary trading in equities and futures on a high frequency algorithmic basis across various major European exchanges. | United Kingdom | 119,940 | 944 | - | 105 | - |
| The principal activity of the branch during 2018 was the provision of software development. | Netherlands | 1,217 | 37 | 80 | 1 | - |
| Total | | 121,157 | 981 | 80 | 106 | - |