Registered Number 08590005

Avus Capital UK Limited

Directors' report and financial statements for the period ended - 31 December 2016

Avus Capital UK Limited
Corporate directory
31 December 2016

Directors	Borislav Tzonkov Nedialkov Nicholas Luke Saunders (appointed 11 December 2014)
Registered Number	08590005
Registered office	43-45 Dorset Street London W1U 7NA
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Accountants	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB

Avus Capital UK Limited
Strategic report
31 December 2016

Business activity and review

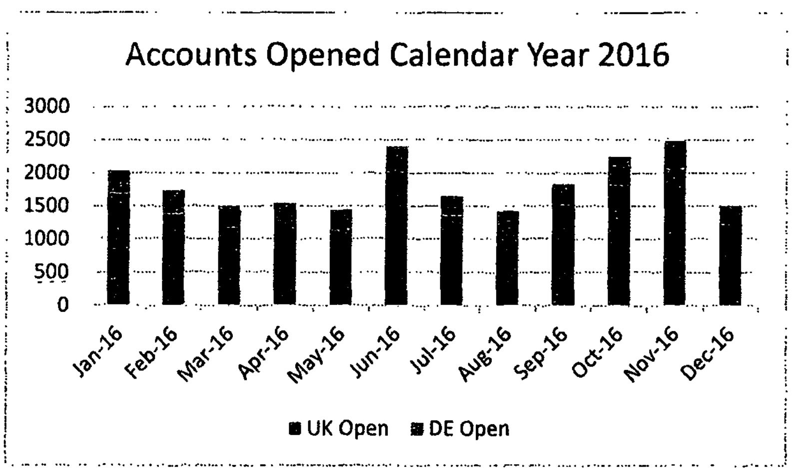
The Company's activity during the period consisted of the provision of an internet-based CFD trading service to clients based in the UK and Germany. The Company operates on a matched principal basis, fully hedging all client positions and profiting from a tighter spread offered by its counterparties than it offers to its clients. All of the company's clients are classified as retail and all client funds are held on a segregated basis with top tier banks.

The key financial indicators during the period were as follows:

	Aug-Dec-16	Aug-16
Net Assets	£2,018,837	£1,672,858
Trading Revenue	£ 1,093,038	£2,659,358
Operating Profit	£ 345,984	£1,321,237

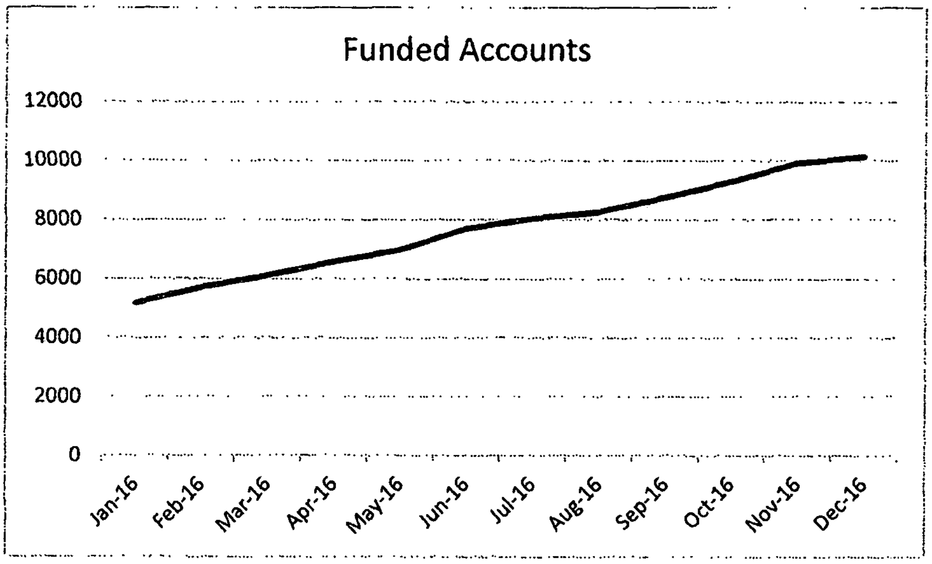
Non-financial Indicators

Client acquisition continues to be strong. The Company currently takes clients from the UK and Germany. However, the twin threats of FCA leverage restrictions and Brexit may cause the Company to review this policy. As the graph below demonstrates, the core of the business is in the UK. While it may well be a false correlation, the proportion of German clients dropped an average of 2.5% following the Brexit vote. The directors believe that a loss of EU business would not therefore cause undue strain to the business should MiFID passporting rights be lost.



The Brexit vote and US elections in November made for two volatility peaks which had a marked effect on client acquisition.

The number of funded accounts over the period rose in line with expectations and in line with the previous 9 months.



Technology

The Company uses the Trading212 trading platform, developed by its sister company Avus Capital Limited. This is a key differentiator from other outwardly similar competitors, the majority of whom use a generic platform. The Company believes that mobile trading will come to predominate and has therefore chosen a mobile led platform. Recent statistics suggest this is the correct choice, with the Trading212 app being amongst the most downloaded financial trading apps in the UK.

Regulatory Environment

Shortly before the end of the period, the Financial Conduct Authority opened a consultation on their plans to tighten regulation of CFD brokers. This was preceded and succeeded by similar consultations from other EU regulatory bodies. The Company has modelled the effect of the changes, and has planned appropriate measures. Without knowing the outcome of the consultation, it is difficult gauge its effect. However, the directors believe that the main effect to the business would be an over-aggressive cap on leverage; not only would this reduce trade volumes but more worryingly it could have an adverse impact on client recruitment as clients are attracted to open account in less tightly regulated jurisdictions. The results of the consultation are expected in May 2017.

The Board is looking to diversify its product set, reducing reliance on short-term volatility-dependent, products.

Market Risk

The company's FCA licence permits it to operate on a Matched Principal basis. Exposure to market risk is therefore limited to the FX risk of holding client money (and own funds) in multiple currencies. In terms of client money, as part of the daily client money reconciliation process the currency balances are reviewed and the proportions held in each currency adjusted as necessary. Avus Capital UK Limited does not hold sufficient funds in foreign currencies to necessitate hedging, but keeps the policy under review.

Liquidity Risk

Liquidity risk arises if the Company fails to meet its payments to brokers, clients or suppliers as they fall due.

All clients are classified as retail, and client money is therefore held in accordance with FCA rules in ring-fenced client money accounts.

The Company keeps all its resources in no-notice cash accounts and closely monitors the rate of cash absorption. The Company has conducted a liquidity risk analysis and identified sources of emergency funding should it be required. It remains confident that it is adequately funded.

Credit Risk

The company is exposed to its brokers, its bank and its clients. Client default is managed by obtaining sufficient collateral from its clients to cover their contractual obligations. The trading platform automatically closes client positions at a pre-determined margin level. The Company recognises there remains a residual credit risk, but recognises this risk as inherent in its business model.

The Company conducts intrusive monitoring of its hedging counterparties financial position, and considers it sufficiently well resourced.

In respect of its banking partners, the Company regularly reviews credit ratings, reputation and other indicators to ensure both its funds and those of its clients are suitable protected.

Internal Controls

The Company is conscious that, dealing with large amounts of money, it is highly exposed to loss through error or fraud. This risk is mitigated through comprehensive and clearly documented internal procedures, particularly those covering client money and payments.

The company has engaged a Compliance Consultancy to assess independently much of its documentation for regulatory purposes, and will analyse the results closely.

Looking Forward

The company finishes the period with a solid capital base. The Board anticipates that costs will increase along with revenue in the next year to support a growing business. The margins achieved in this period are likely to shrink as investment in marketing and infrastructure grow. In light of recent regulatory developments, the company intends to look for more diverse revenue streams and will invest in product development with this in mind. Such developments are necessarily longer term and the Board recognises that sufficient capital must be retained in the business to fund this and secure sustainable growth.

This report is made in accordance with a resolution of directors.

On behalf of the directors

Nicholas Luke Saunders
Director

25 April 2017

Avus Capital UK Limited
Directors' report
31 December 2016

The Directors submit their report and accounts for the period 30th August 2016 – 31st December 2016. The Company has shortened its accounting period to bring it into line with its parent, Avus Capital Group Limited, which acquired the Company's share capital in October 2016. In 2017, the Company's owners will also bring Avus Capital Limited, the Company's sister company and major outsourcing partner, into the Group.

Directors
The following persons were directors of the company during the whole of the financial period and up to the date of this report, unless otherwise stated:

Borislav Tzonkov Nedialkov
Nicholas Luke Saunders

Results and dividends
The profit for the four month period ending 31 December 2016 was £358,843 (Year to 30 August 2016 – £1,321,237) as shown in the Statement of Comprehensive Income. The directors do not propose a dividend and propose to transfer the profit to reserves.

Significant changes in the state of affairs
On October 12th 2016 the shares of Avus Capital UK Limited were acquired by Avus Capital Group Limited. The transaction took part as a non-cash contribution of shares in the holding company by the shareholders of Avus Capital UK limited and was part of a wider business restructuring of the group of companies, part of which is Avus Capital UK limited.

There were no other significant changes in the state of affairs of the company during the financial period.

Matters subsequent to the end of the financial period
No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Future developments
The company intends to launch a physical share dealing service in the summer. This is not expected to contribute significantly to revenue during the year, but may entail significant investment in infrastructure.

Disclosure of information to auditors
Each of the persons who were directors at the time when this Directors' Report was approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors
During the period Grant Thornton UK LLP was appointed as the company's auditor. Grant Thornton UK LLP have expressed their willingness to continue as auditors. Grant Thornton UK LLP will be re-appointed as Avus Capital UK Limited's auditor in accordance with the elective resolution passed by Avus Capital UK Limited under section 485 Companies Act 2006.

Avus Capital UK Limited
Directors' report
31 December 2016

This report is made in accordance with a resolution of directors.

On behalf of the directors

Nicholas Luke Saunders
Director

25 April 2017

Avus Capital UK Limited
Directors' responsibilities statement
31 December 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. 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 for the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS (as adopted by the EU);
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Avus Capital UK Limited
Independent auditor's report to the members of Avus Capital UK Limited
31 December 2016

We have audited the financial statements of Avus Capital UK Limited for the period ended 31 December 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
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 any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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.

Grant Thornton UK LLP

David Pearson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 26 April 2017

Avus Capital UK Limited
Statement of comprehensive income
For the period ended 31 December 2016

	Note	31 August 2016 to 31 December 2016 £	30 August 2016 £
Revenue	4	1,093,040	2,659,358
Expenses			
Administrative expenses	5	(644,674)	(1,044,230)
Depreciation and amortisation expense		(755)	(770)
Total expenses		(645,429)	(1,045,000)
Operating profit		447,611	1,614,358
Finance costs	9	-	(564)
Profit before income tax expense		447,611	1,613,794
Income tax expense	10	(88,768)	(292,557)
Profit after income tax expense for the period attributable to the owners of Avus Capital UK Limited	16	358,843	1,321,237
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period attributable to the owners of Avus Capital UK Limited		358,843	1,321,237

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Avus Capital UK Limited
Statement of financial position
As at 31 December 2016

	Note	31 December 2016 £	30 August 2016 £
Assets			
Non-current assets			
Property, plant and equipment	11	8,142	2,808
Total non-current assets		8,142	2,808
Current assets			
Cash and cash equivalents	12	2,285,521	1,557,470
Trade and other receivables	13	530,533	785,118
Total current assets		2,816,054	2,342,588
Total assets		2,824,196	2,345,396
Liabilities			
Current liabilities			
Trade and other payables	14	411,309	379,981
Income tax	10	381,186	292,557
Total current liabilities		792,495	672,538
Total liabilities		792,495	672,538
Net assets		2,031,701	1,672,858
Equity			
Issued capital	15	500,000	500,000
Retained profits	16	1,531,701	1,172,858
Total equity		2,031,701	1,672,858

Nicholas Luke Saunders
Director

25 April 2017

The above statement of financial position should be read in conjunction with the accompanying notes

Avus Capital UK Limited
Statement of changes in equity
For the period ended 31 December 2016

	Issued capital £	Retained profits £	Total equity £
Balance at 31 August 2015	500,000	(148,379)	351,621
Profit after income tax expense for the period	-	1,321,237	1,321,237
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	1,321,237	1,321,237
Balance at 30 August 2016	500,000	1,172,858	1,672,858

	Issued capital £	Retained profits £	Total equity £
Balance at 31 August 2016	500,000	1,172,858	1,672,858
Profit after income tax expense for the period	-	358,843	358,843
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	358,843	358,843
Balance at 31 December 2016	500,000	1,531,701	2,031,701

The above statement of changes in equity should be read in conjunction with the accompanying notes

Avus Capital UK Limited
Statement of cash flows
For the period ended 31 December 2016

	Note	31 August 2016 to 31 December 2016 £	30 August 2016 £
Cash flows from operating activities			
Profit before income tax expense for the period		447,611	1,613,794
Adjustments for:			
Depreciation and amortisation		754	770
Interest and other finance costs		-	564
		448,365	1,615,128
Decrease/(increase) in trade and other receivables		254,585	(403,651)
Increase in trade and other payables		31,328	267,618
		734,278	1,479,095
Interest and other finance costs		-	(564)
Income taxes paid		(139)	-
Net cash from operating activities		734,139	1,478,531
Cash flows from investing activities			
Payments for property, plant and equipment	11	(6,088)	(2,877)
Net cash used in investing activities		(6,088)	(2,877)
Cash flows from financing activities			
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		728,051	1,475,654
Cash and cash equivalents at the beginning of the financial period		1,557,470	81,816
Cash and cash equivalents at the end of the financial period	12	2,285,521	1,557,470

The above statement of cash flows should be read in conjunction with the accompanying notes

Avus Capital UK Limited
Notes to the financial statements
31 December 2016

1. General information

Country of incorporation and principal activity
The company has been domiciled and incorporated in the England and Wales since 28 June 2013 as a private company limited by shares. The company operates in the United Kingdom and Germany and its principal place of business is 107 Cheapside, London, EC2U 6DN.

The company is authorised and regulated by the Financial Conduct Authority. Its only business activity is the provision of Contracts for Difference products (CFDs) based on financial markets.

On 12 October 2016, Avus Capital Group Limited acquired 100% of the share capital of Avus Capital UK Limited. In order to align the reporting dates of the group Avus Capital UK Limited has shortened its current accounting period to 31 December 2016. The comparatives in the financial statements and the related notes cover a period of 1 year and therefore are not entirely comparable.

2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted
The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern
The directors regularly review the performance of the company against forecasts to ensure that they are able to react on a timely basis to opportunities and issues as they arise. The company had a profit for the period ended 31 December 2016. The directors are of the opinion that the company will remain a going concern for the foreseeable future.

Basis of preparation
These general purpose financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union (EU).

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition
Trading revenue represents gains and losses arising on client trading activity, in CFD contracts, and the transactions undertaken to hedge the risk associated with client trading activity in accordance with its matched principal broker's status.

2. Significant accounting policies (continued)

Open client and hedging positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. The policies and methodologies associated with the determination of fair value are further discussed under Financial Instruments.

Trading revenue also includes commissions and overnight interest on open derivative positions of clients at the end of the day.

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the company and the revenue can be measured reliably.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

2. Significant accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Segregated client funds
Prior to trading, the Company's clients deposit funds with the Company as margin. This balance is held as collateral against client positions and is unavailable to the Company except insofar as when a client realises a trading loss it is taken by the Company from this balance.

The Company holds money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA). Such monies are classified as 'segregated client funds' in accordance with the relevant regulatory requirements. Segregated client funds comprise individual client funds held in segregated client money accounts. Segregated client money accounts hold statutory trust status restricting the Company's ability to control the monies and accordingly such amounts and are not held on the Company's Statement of Financial Position.

There is no interest paid on segregated client accounts.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Financial Instruments
Open derivative positions are designated as financial instruments at fair value through profit and loss. This category of instruments is initially recognised at fair value on the date a derivative contract is entered into and is subsequently re-measured at the corresponding underlying asset fair value. Any resulting gains and losses are recognized in net trading revenue. The Company's financial instruments at fair value through profit or loss comprise financial derivative open positions offset by deposits from clients in the statement of financial position.

Settling financial instruments
In accordance with the Company's CASS obligations a daily client money reconciliation is performed ensuring the balance in the segregated client money accounts is equal to the net client equity (deposits, less withdrawals, plus or minus any daily trading result from derivative positions). Any client gains and losses are simultaneously settled against the client cash in accordance with the terms of the client agreement between the clients and the Company.

Apart from settlement of client trading result no other use may be made of client money. Clients may at any time request to withdraw their profits or any cash not being used as margin.

Property, plant and equipment
Office equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Office equipment	3 years straight line

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Trade and other payables
These amounts represent liabilities for services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted
Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 2016. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

IFRS 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of IFRS 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Fair value measurement hierarchy
The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs for the asset or liability). Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Treatment of client derivative positions
Client derivative positions are settled daily against client cash held in segregated accounts and thus do not appear on the statement of financial position of the company.

4. Net trading revenue

	31 August 2016 to 31 December 2016 £	30 August 2016 £
Investment brokerage services	1,093,040	2,659,358

5. Administrative expenses

	31 August 2016 to 31 December 2016 £	30 August 2016 £
Staff costs	84,025	231,432
Entertainment	-	41
General expenses	9,158	1,298
IT software and consumables	2,282	80
Platform expenses	1	14,165
Printing, postage and stationery	379	522
Rent	15,388	45,349
Subscriptions	-	215
Telephone and internet	184	2,298
Travel	2	-
Irrecoverable VAT	77,479	97,611
Audit and accountancy	32,988	99,246
Advertising and marketing	332,391	248,061
Bank fees	2,391	5,349
Foreign exchange	(37,745)	(11,404)
Payment provider charges	73,618	174,925
Compliance and consulting	49,031	127,736
Insurance	3,102	6,846
Staff training	-	460
	644,674	1,044,230

6. Auditors' remuneration

During the period the company obtained the following services from the company's auditor as detailed below:

	31 August 2016 to 31 December 2016 £	30 August 2016 £
Fees payable to the company's auditor for the audit of the company's accounts	19,000	19,000
All other non-audit services not included above	3,157	26,520
	22,157	45,520

7. Staff costs

Staff costs, including directors' remuneration, were as follows:

7. Staff costs (continued)

	31 August 2016 to 31 December 2016 £	30 August 2016 £
Wages and salaries	68,992	189,363
Social security costs	8,681	20,147
Other pension costs	6,352	21,922
	84,025	231,432

The average monthly number of employees, including the directors, during the period was as follows:

	31 August 2016 to 31 December 2016	30 August 2016
Directors	2	2
Administration	2	2
	4	4

8. Directors' remuneration

	31 August 2016 to 31 December 2016	30 August 2016
Remuneration	32,667	90,542
Company pension contributions to defined contribution pension schemes	5,652	16,496
	38,319	107,038

During the period retirement benefits were accruing to 1 director (30 August 2016 - 1 director) in respect of defined contribution pension schemes.

9. Finance costs

	31 August 2016 to 31 December 2016 £	30 August 2016 £
Interest paid	-	564

Interest of 2% per annum was charged on a loan from Borislav Tsonkov Nedialkov. The loan and all relating interest was repaid during the year to 30 August 2016.

Avus Capital UK Limited
Notes to the financial statements
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10. Income tax

	31 August 2016 to 31 December 2016 £	30 August 2016 £
Income tax expense		
Current tax	88,629	292,557
Adjustment recognised for prior periods	139	-
Aggregate income tax expense	88,768	292,557
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	447,611	1,613,794
Tax at the statutory tax rate of 20%	89,522	322,759
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation of property, plant and equipment	(1,067)	(422)
Expenses not deductible for tax	174	34
	88,629	322,371
Adjustment recognised for prior periods	139	-
Prior period tax losses not recognised now recouped	-	(29,814)
Income tax expense	88,768	292,557

	31 December 2016 £	30 August 2016 £
Provision for income tax		
Provision for income tax	381,186	292,557

11. Non-current assets - property, plant and equipment

	31 December 2016 £	30 August 2016 £
Office equipment - at cost	9,835	3,747
Less: Accumulated depreciation	(1,693)	(939)
	8,142	2,808

11. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial period are set out below:

	Office equipment £	Total £
Balance at 31 August 2015	701	701
Additions	2,877	2,877
Depreciation expense	(770)	(770)
Balance at 30 August 2016	2,808	2,808
Additions	6,088	6,088
Depreciation expense	(754)	(754)
Balance at 31 December 2016	8,142	8,142

12. Current assets - cash and cash equivalents

	31 December 2016 £	**30 August 2016 £**
Cash at bank	2,285,521	1,557,470

The directors consider that the carrying amount of cash and cash equivalents approximates their fair value. All of the company's cash and cash equivalents at 31 December 2016 are at floating interest rates and are in various currencies according to the geographical nature of the company. The currency split of cash and cash equivalents is set out in note 18.

13. Current assets - trade and other receivables

	31 December 2016 £	**30 August 2016 £**
Trade receivables	173,388	433,222
Other debtors	329,119	292,901
Prepayments	28,026	58,995
	530,533	785,118

The average credit period taken on sales of investment brokerage services is less than 30 days. No interest is charged on the receivables. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Trade and other receivables are denominated in currencies GBP, EUR and USD.

14. Current liabilities - trade and other payables

	31 December 2016 £	30 August 2016 £
Trade payables	260,274	273,648
Other taxation and social security	72,177	32,891
Other creditors	1,310	323
Accruals	77,548	73,119
	411,309	379,981

Refer to note 18 for further information on financial instruments.

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period taken for purchases is considered to be less than 30 days. The directors consider that the carrying amounts of trade and other payables are approximate to their fair values.

The company has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

Trade and other payables are denominated in currencies GBP, EUR and USD.

15. Equity - issued capital

	31 December 2016 Shares	30 August 2016 Shares	31 December 2016 £	30 August 2016 £
Ordinary shares - fully paid of £1 each	500,000	500,000	500,000	500,000

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Capital risk management
The company's objectives when managing capital is to safeguard its ability to continue as a going concern and exceed the minimum capital requirements set out by the FCA. The company held surplus capital over the FCA requirements throughout the year.

Capital is regarded as total equity, as recognised in the statement of financial position.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the date of this Report.

16. Equity - retained profits

	31 December 2016 £	30 August 2016 £
Retained profits/ (accumulated losses) at the beginning of the financial period	1,172,858	(148,379)
Profit after income tax expense for the period	358,843	1,321,237
Retained profits at the end of the financial period	1,531,701	1,172,858

17. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

18. Financial instruments

Financial risk management objectives
The company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the company's operating units. Finance reports to the Board on a monthly basis.

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: Other techniques for which all outputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All the balances in the tables below are classified as Level 3 fair value measurement (excluding those classified at amortised cost):

18. Financial instruments (continued)

	31 December 2016 £	30 August 2016 £
Financial assets (current)		
Cash and cash equivalents (at amortised cost)	2,285,521	1,557,470
Trade and other receivables (at amortised cost)	493,174	726,123
	2,778,695	2,283,593
Financial liabilities (current)		
Trade payables (at amortised cost)	260,274	273,648
Other creditors (at amortised cost)	1,310	323
Accruals (other financial liability)	75,056	73,119
	336,640	347,090
Fair value of financial derivative open positions		
Fair value of open derivative positions - asset*	1,059,171	858,428
Fair value open derivative positions - liability*	(36,713)	(19,125)
	1,022,458	839,303

* Fair value of open client derivative positions are presented as assets when the fair market price of the instrument at the close of the day is below the open price of the instrument resulting in potential loss for the client and vice versa

Market risk

Foreign currency risk
The company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the company's foreign currency denominated cash and cash equivalents at the reporting date were as follows:

	31 December 2016 £	30 August 2016 £
US Dollars	108,591	62,549
Euros	672,543	603,508
	781,134	666,057

18. Financial instruments (continued)

The carrying amount of the company's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	31 December 2016	30 August 2016	31 December 2016	30 August 2016
	£	£	£	£
US dollars	121,148	122,863	1,521	159
Euros	863,537	876,655	35,604	69,618
	984,685	999,518	37,125	69,777

At 31 December 2016, if the US dollar and the Euro had strengthened or weakened by 10% against GBP with all other variables held constant, pre-tax profits and equity would have increased/ (decreased) by:

	Sterling strengthened			Sterling weakened		
31 December 2016	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollars	10%	13,292	13,292	10%	(10,875)	(10,875)
Euro	10%	91,993	91,993	10%	(75,267)	(75,267)
		105,285	105,285		(86,142)	(86,142)

	Sterling strengthened			Sterling weakened		
30 August 2016	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollars	10%	13,651	13,651	10%	(11,169)	(11,169)
Euro	10%	87,698	87,698	10%	(71,753)	(71,753)
		101,349	101,349		(82,922)	(82,922)

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit and equity where the USD or Euro strengthens against Sterling. For a 10% weakening of the US dollars or Euro against Sterling, there would be an opposite impact on the profit and equity.

Price risk
Price risk is market risk, arising from extreme adverse market movements in the prices of open derivative positions. Due to its matched-principle broker status the Company is not exposed to any price risk.

Interest rate risk
The company is not exposes to any significant interest rate risk at this time on the basis that it has no borrowings.

18. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The company obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The company does not hold any collateral.

Financial institutions credit risk
Financial institutions credit risk is the risk of sustaining losses due to failure of a counterparty (financial institution) to meet its obligations towards Avus Capital UK Ltd in relation to own assets and segregated client account assets.

The company has a strict code of credit, including obtaining agency credit information, observing credit default swaps, industry stress test results, confirming references and setting appropriate credit limits. An annual credit risk assessment of the Company's bankers is performed and measures to diversify away financial institution credit risk are implemented.

Due to its matched-principle broker status, the Company is obliged to match all client positions with mirror position with a third party. The Company is thus exposed to credit risk from its hedging counterparty. To mitigate the risk as far as possible, the Company conducts intrusive analysis of its counterparty, having access to its regulatory filings, annual accounts, liquidity stress test results and ICAAP document.

Client credit risk
The Company operates a real-time mark-to-market trading platform with clients' profits and losses being credited/ debited automatically to their accounts. Under the Company's trading conditions the client cannot sustain losses exceeding the funds deposited.

As the CFD products offered by the Company are margin-traded, the Company could be exposed to client credit risk in case of sudden unexpected adverse market movements. This situation arises when the client's free equity is insufficient to cover any trading losses incurred on open positions in the case of adverse market movements. However, the Company's client credit risk exposure is limited by the automatic closing mechanism (margin call), imbedded in the Trading212 platform.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The company does not hold any collateral and does not have material financial assets that are overdue and impaired at the reporting date.

Liquidity risk
Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

19. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £6,352 (30 August 2016 - £21,922). Contributions totalling £870 (30 August 2016 - £170) were payable to the fund at the balance sheet date and are included in other creditors (see note 14).

20. Operating lease commitments

At 31 December 2016 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 2016 £	30 August 2016 £
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	11,337	11,337

21. Related party transactions

During the year Avus Capital UK Limited entered into CFD derivative contracts with Avus Capital Limited, a company under common control, under the normal course of business to simultaneously "match" the trades of Avus Capital UK Limited's customers as is a requirement of a match principal broker. Detailed disclosure of positive and negative movements to the margin account of Avus Capital UK Limited in Avus Capital Limited is as follows.

	31 August 2016 to 31 December 2016 £	30 August 2016 £
Trading account deposits	4,847,640	8,302,650
Trading account withdrawals	(305,725)	(15,874)
Net trading gains from CFD derivative contracts	3,009,143	4,308,977
Net trading losses from CFD derivative contracts	(7,641,865)	(12,518,437)

At the balance sheet date the amount of £35,263 was due to (30 August 2016: £55,546 due from) Avus Capital Limited in respect of these contacts.

The Company hires the right to use the electronic trading platform and brand name Trading 212 for a fixed annual compensation of £10,000 paid to Avus Capital Limited.

22. Segregated client funds

The company operates three segregated client money bank accounts. As at 31 December 2016 the total balance of these accounts was £2,758,864 (30 August 2016: £3,248,011).

23. Events after the reporting period

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

24. Controlling party

The immediate parent company is Avus Capital Group Limited, a company incorporated in the UK

The directors do not consider there to be an ultimate controlling party.