

Registered number 08590005

Trading 212 UK Limited

**Annual report and financial statements for the year ended
31 December 2019**



Trading 212 UK Limited
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31 December 2019

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Trading 212 UK Limited
Corporate Directory
31 December 2019

Directors Borislav Tzonkov Nedialkov
 Nicholas Luke Saunders

Registered number 08590005

Registered office 43-45 Dorset Street-
 London
 W1U 7NA

Auditor Grant Thornton UK LLP
 30 Finsbury Square
 London
 EC2A 1AG

Trading 212 UK Limited Strategic Report 31 December 2019

Business activity and review

The Company's activity during the year consisted of i) Provision of an internet-based Contract for Difference ("CFD") – a derivative contract whereby two parties agree to exchange the market performance of an underlying security, currency or other financial asset) trading service ii) An agency stockbroking facility. Both products are operated through the Trading 212 trading platform to clients predominantly resident in the United Kingdom ("UK") and European Union ("EU"). In terms of CFD products, 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. Over 95% of the Company's clients are classified as retail and all client funds are held on a segregated basis with top tier banks or (for stockbroking only) with appropriately authorised brokers.

At the beginning of the year, the focus of the business moved to commission-free stockbroking, to grow the number of clients. Resources were diverted to promotional activities in January and February to kick start this resulting in a sharp rise in acquisitions. The sharp rise will not translate directly or necessarily proportionally, to a rise in revenue in the short term.

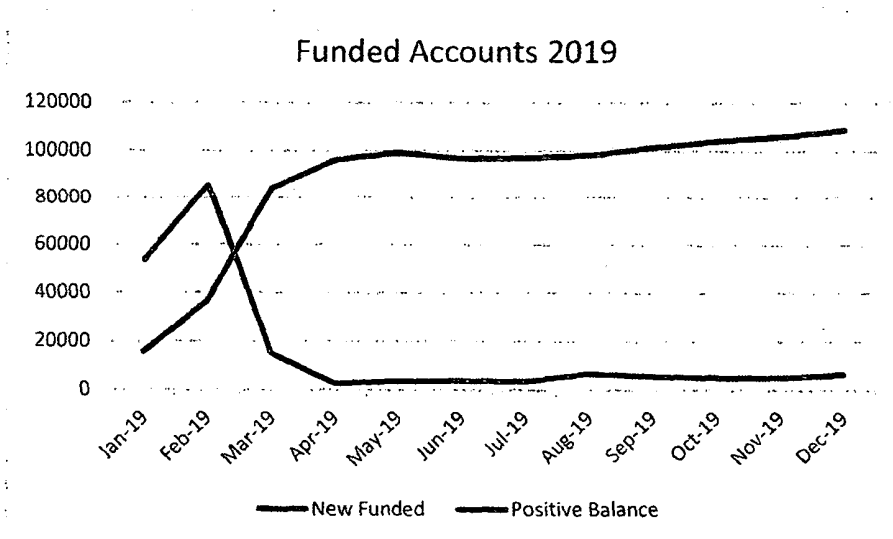
The key financial indicators during the year were as follows:

	2019	2018
	£	£
Net assets	5,062,800	5,377,535
Trading revenue	2,004,491	4,031,293
Operating (loss)/profit	(314,735)	1,853,339

Non-financial Indicators

Non-financial indicators are measures of customer acquisition and customer activity. The speculative nature of the product dictates that trades are frequently not placed on an account unless the market offers the opportunities a client is looking for. New, funded accounts, together with the total number of funded accounts offer, therefore, a window into the *potential* for trading which is distinct from financial indicators.

Fig 1 – Number of New Funded Accounts and Total Funded Accounts



New accounts are not included in the number of 'positive balance' accounts until the following month.

Trading 212 UK Limited Strategic Report 31 December 2019

The promotional activity in Q1 was more popular than anticipated and costs were beyond those agreed with the third party running the promotion. Compensation payments are noted in the financial statements. Irrespective of any compensation, the potential of the market to support the new product set is well demonstrated.

The Company does see consistent short term increase in profitability as likely; the immediate goal is to increase the number of clients active on the platform while in the medium term a move from transactional revenue to a subscription based or freemium model will provide a more stable, less volatility-based, revenue stream. It is the company's intention that profit from the CFD business should support the growth of the share trading side rather than any external source of funding.

Given the shift in business focus and the impact of ESMA leverage restrictions imposed in August 2018, a direct comparison of year on year key performance indicators would not give a sensible indication of the business going forward.

Technology

The Company uses the Trading 212 trading platform, developed by its sister Company, Trading 212 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 Trading 212 app being amongst the most downloaded financial trading apps in the United Kingdom.

Regulatory Environment and Brexit

Such is the scale of uncertainty surrounding the sale of the Company's products in Europe it is not possible to assess the effect. The Company is well placed within the UK, where it sources the majority of its clients, and is exploring options in case of a hard Brexit. The Board believes that in the UK, the restrictions on the sale of CFD products are settled and it would be surprised to see further restrictions imposed.

Market Risk

The Company operates 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 the currency balances are reviewed, and the proportions held in each currency adjusted as necessary. The Company does not hold sufficient own funds in currencies other than GBP 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.

Most clients are classified as retail, and client money is therefore held in accordance with FCA rules in ring-fenced client money accounts. The Company voluntarily applies this protection to its small number of professional clients.

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 has exposure 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 suitably protected.

Trading 212 UK Limited
Strategic Report
31 December 2019

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.

Looking Forward

The Company has not grown its revenue at the same pace as its client base; new product lines will take years to monetize effectively and revenue growth is not expected in the short term. The Company's policy is to invest any profits in client acquisition and product innovation, while looking to grow its capital base.

Events after the statement of financial position date

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic.

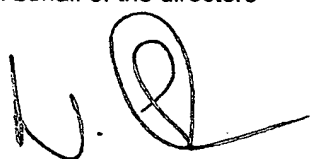
Governments have reacted in order to slow down the spread of the outbreak with varying measures such as restricting travel, banning large social gatherings, closing schools, shops and other establishments with a general modus operandi of social distancing or isolation to prevent the spread of the virus.

The duration, social, economic, and political consequences of the pandemic are unknown. Consequently, we are in uncharted territory with financial markets and businesses are being severely disrupted. The Company however is well placed to cope with such a crisis. It has activated Business Continuity Plans which enabled all staff to function remotely. Being an online-only business enables its clients to continue trading and investing, providing the communications infrastructure remains intact.

The extreme volatility in the financial markets is beneficial for trading volumes in the short term. The longer-term impact of a prolonged recession is harder to gauge, particularly as the Company's products are largely discretionary spend. We anticipate that an initial uplift in profitability may be offset by a longer-term reduction in volumes.

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

On behalf of the directors



Nicholas Luke Saunders
Director

4th June 2020

**Trading 212 UK Limited
Directors' Report
31 December 2019**

Directors

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

Borislav Tzonkov Nedialkov
Nicholas Luke Saunders

Results and dividends

The loss for the year ending 31 December 2019 was £314,735 (2018: profit £1,501,640) as shown in the statement of comprehensive (loss)/income. No dividends were recommended, declared or paid during the current or previous financial year.

Auditors

Grant Thornton UK LLP have expressed their willingness to continue as auditors. Grant Thornton UK LLP will be re-appointed as Trading 212 UK Limited's auditor in accordance with the elective resolution passed by Trading 212 UK Limited under section 485 Companies Act 2006.

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

On behalf of the directors



Nicholas Luke Saunders
Director

4th June 2020

Trading 212 UK Limited
Statement of Directors' Responsibilities
31 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

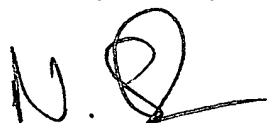
The directors confirm that:

So far as each director is aware, there is no relevant audit information of which the Company's auditor is aware; and the directors have taken as a whole all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken together, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

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

On behalf of the directors



Nicholas Luke Saunders
Director

4th June 2020

Trading 212 UK Limited
Independent Auditor's Report to the members of Trading 212 UK Limited
31 December 2019

We have audited the financial statements of Trading 212 UK Limited (the "Company") for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

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.

Trading 212 UK Limited
Independent Auditor's Report to the members of Trading 212 UK Limited
31 December 2019

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Trading 212 UK Limited
Independent Auditor's Report to the members of Trading 212 UK Limited
31 December 2019

Auditor's responsibilities for the audit of the financial statements (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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



David Pearson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 4th June 2020

Trading 212 UK Limited
Statement of Comprehensive (Loss)/Income
For the year ended 31 December 2019

		2019	2018
	Notes	£	£
Revenue	4	2,004,491	4,031,293
Expenses			
Administrative expenses	5	(2,228,540)	(2,149,128)
Compensation expense		-	(21,204)
Depreciation expense	12	(8,895)	(7,622)
Depreciation expense: right-of-use assets	11	(73,946)	-
Total expenses		(2,311,381)	(2,177,954)
Operating (loss)/profit		(306,890)	1,853,339
Other income		443	682
Finance costs	9	(3,846)	(1,003)
Finance costs: right-of-use assets	9	(4,442)	-
(Loss)/profit before tax		(314,735)	1,853,018
Taxation	10	-	(351,378)
(Loss)/profit after tax for the year attributable to the owners of Trading 212 UK Limited	17	(314,735)	1,501,640
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/income for the year attributable to the owners of Trading 212 UK Limited		(314,735)	1,501,640

The above statement of comprehensive income should be read in conjunction with the accompanying notes 1 to 25

Trading 212 UK Limited
Statement of Financial Position
As at 31 December 2019

Registered No. 08590005

	Notes	2019 £	2018 £
Assets			
Non-current assets			
Property, plant and equipment	12	9,197	15,445
Right-of-use assets	11	147,892	-
Total non-current assets		157,089	15,445
Current assets			
Cash and cash equivalents	13	1,620,639	2,446,700
Trade and other receivables	14	3,859,204	3,361,867
Total current assets		5,479,843	5,808,567
Total assets		5,636,932	5,824,012
Liabilities			
Non-current liabilities			
Lease liabilities	11	38,058	-
Current liabilities			
Lease liabilities	11	111,550	-
Trade and other payables	15	424,524	95,099
Corporation tax	10	-	351,378
Total current liabilities		536,074	446,477
Total liabilities		574,132	446,477
Net assets		5,062,800	5,377,535
Equity			
Share capital	16	2,800,000	2,800,000
Retained earnings	17	2,262,800	2,577,535
Total equity		5,062,800	5,377,535

The above statement of financial position should be read in conjunction with the accompanying notes 1 to 25

The financial statements and associated notes were approved and authorised for issue by the Board of Directors on 4th June 2020.

For and on behalf of the Board



Nicholas Luke Saunders
 Director

4th June 2020

Trading 212 UK Limited
Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital £	Retained earnings £	Total equity £
At 1 January 2019	2,800,000	2,577,535	5,377,535
Loss after tax for the year	-	(314,735)	(314,735)
At 31 December 2019	2,800,000	2,262,800	5,062,800

	Share capital £	Retained earnings £	Total equity £
At 1 January 2018	2,000,000	1,075,895	3,075,895
Profit after tax for the year	-	1,501,640	1,501,640
Issue of bonus shares	800,000	-	800,000
At 31 December 2018	2,800,000	2,577,535	5,377,535

The above statement of changes in equity should be read in conjunction with the accompanying notes 1 to 25

Trading 212 UK Limited
Statement of Cash Flows
For the year ended 31 December 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
(Loss)/profit before tax		(314,735)	1,853,018
Adjustments for:			
Depreciation	12	8,895	7,622
Depreciation: right-of-use assets	11	73,946	-
Interest and other finance costs		3,403	321
Interest expense: right-of-use assets		4,442	-
		(224,049)	1,860,961
Increase in trade and other receivables		(497,337)	(1,719,887)
Increase/(decrease) in trade and other payables		329,425	(345,814)
Cash used in operations		(391,961)	(204,740)
Interest and other finance costs paid		(3,403)	(321)
Interest expense: right-of-use assets		(4,442)	-
Taxation paid		(351,378)	(235,106)
Net cash flows used in operating activities		(751,184)	(440,167)
Cash flows used in investing activities			
Purchase of property, plant and equipment	12	(2,647)	(11,364)
Net cash flows used in investing activities		(2,647)	(11,364)
Cash flows generated from financing activities			
Issue of share capital	16	-	800,000
Repayment of lease liabilities	11	(72,230)	-
Net cash (used)/generated from financing activities		(72,230)	800,000
Net (decrease)/increase in cash and cash equivalents		(826,061)	348,469
Cash and cash equivalents at the beginning of the year		2,446,700	2,098,231
Cash and cash equivalents at the end of the year	13	<u>1,620,639</u>	<u>2,446,700</u>

The above statement of cash flows should be read in conjunction with the accompanying notes 1 to 25

Trading 212 UK Limited

Notes to the Financial Statements

31 December 2019

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 business activities are the provision of Contracts for Difference products (CFDs) based on financial markets and operating through a financial intermediation for its stockbroking business.

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 years 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 year.

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 year ended 31 December 2018. 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 years 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. The adoption of the new IFRS 9 will not have any impact on the earnings of the Company as the financial assets and liabilities are already measured at amortised cost as per the standard.

In terms of the transition to IFRS 16, the Company can choose to apply one of two transition methods: – The full retrospective transition method, whereby IFRS 16 is applied to all its contracts as if it had always been applied; or – The modified retrospective approach which includes optional practical expedients. The Company has chosen to adopt the modified approach in order to benefit from the practical expedients which are offered.

Trading 212 UK Limited

Notes to the Financial Statements

31 December 2019

2. Significant accounting policies (continued)

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 loss for the year ended 31 December 2019 (2018: profit). The directors are of the opinion that the Company will remain a going concern for the foreseeable future.

In determining that the Company is a going concern, the directors have considered the potential impacts of Brexit and the novel coronavirus disease ("Covid-19") pandemic, including the likelihood of a global recession on the Company. The directors believe the Company will be able to manage its risks successfully, enabling it to continue to enhance its market position and grow the business in the long-term.

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 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.

Trading revenue also includes commissions and overnight interest on open derivative positions of clients at the end of the day, as well as commissions from the agency stockbroking facility.

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.

Taxation

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.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2019

2. Significant accounting policies (continued)

Taxation (continued)

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 year; 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 year. 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 year; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting year. All other liabilities are classified as non-current.

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on 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 are not included in 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.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2019

2. Significant accounting policies (continued)

Trade and other receivables (continued)

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due (more than 60 days overdue). Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

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.

Client derivative positions are settled against client cash held in segregated accounts at the end of the day and thus do not appear on the statement of financial position of the Company.

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.

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
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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.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2019

2. Significant accounting policies (continued)

Leases

Policies applicable from 1 January 2019

The Company has adopted IFRS16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or
- implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January was 3.5%.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2019

2. Significant accounting policies (continued)

Leases (continued)

Policies applicable prior to 1 January 2019

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.

Share capital

Ordinary shares are classified as equity.

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.

Trading 212 UK Limited
Notes to the financial statements
31 December 2019

4. Revenue

	31 December 2019 £	31 December 2018 £
Investment brokerage services	<u>2,004,491</u>	<u>4,031,293</u>

5. Administrative expenses

	31 December 2019 £	31 December 2018 £
Money transmission and other bank fees	1,099,671	570,625
Advertising and marketing	29,361	398,066
Staff costs (see note 7)	482,141	353,246
Professional fees	214,608	215,752
Audit and accountancy fees	110,365	161,880
Irrecoverable VAT	91,069	152,063
Operating lease rental	23,316	57,108
Communication and technology fees	13,024	13,225
Other administrative expenses	<u>164,985</u>	<u>227,163</u>
	<u>2,228,540</u>	<u>2,149,128</u>

6. Auditors' remuneration

During the year the Company obtained the following services from the Company's auditor as detailed below:

	31 December 2019 £	31 December 2018 £
Fees payable to the Company's auditor's in respect of the audit of statutory accounts	26,000	20,200
CASS audit fee	<u>54,000</u>	<u>54,000</u>
	<u>80,000</u>	<u>74,200</u>

Trading 212 UK Limited
Notes to the financial statements
31 December 2019

7. Staff costs

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

	31 December 2019 £	31 December 2018 £
Wages and salaries	396,484	292,117
Social security costs	44,903	32,698
Pension costs	40,754	28,431
	<u>482,141</u>	<u>353,246</u>

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

	31 December 2019	31 December 2018
Directors	2	2
Administration	5	3
	<u>7</u>	<u>5</u>

8. Directors' remuneration

	31 December 2019 £	31 December 2018 £
Remuneration	136,950	113,400
Company pension contributions to money purchase schemes	5,490	17,066
	<u>142,440</u>	<u>130,466</u>

During the year retirement benefits were accruing to 1 director (31 December 2018: 1 director) in respect of defined contribution pension schemes.

9. Finance costs

	31 December 2019 £	31 December 2018 £
Interest expense	3,846	1,003
Interest expense – right-of-use assets	4,442	-

Trading 212 UK Limited
Notes to the financial statements
31 December 2019

10. Taxation

	31 December 2019 £	31 December 2018 £
<i>Tax expense</i>		
Current tax	-	351,378
Tax expense	-	351,378
<i>Numerical reconciliation of tax expense and tax at the statutory rate</i>		
(Loss)/profit before tax	(314,735)	1,853,018
Tax at the statutory tax rate of 19% (2018: 19%)	-	352,073
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation of property, plant and equipment	1,188	(711)
Expenses not deductible for tax	54	16
Other adjustments/Tax losses carried forward	313,493	-
	-	351,378
Total tax charge for the year	-	351,378
	31 December 2019 £	31 December 2018 £
<i>Provision for tax</i>		
Provision for tax	-	351,378

11. Leases

(a) Right-of-use assets – office space

Additional information on right-of-use assets is as follows:

	31 December 2019 £	31 December 2018 £
At 1 January	-	-
Additions	221,837	-
Depreciation	(73,945)	-
Written down value at the end of the year	147,892	-

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2018

(b) Lease liabilities – office space

Lease liabilities are presented in the statement of financial position as follows:

	31 December 2019 £	31 December 2018 £
Current	111,550	-
Non-current	<u>38,058</u>	<u>-</u>

12. Property, plant and equipment

	31 December 2019 £	31 December 2018 £
Office equipment - at cost	32,054	29,407
Less: Accumulated depreciation	<u>(22,857)</u>	<u>(13,962)</u>
	<u>9,197</u>	<u>15,445</u>

Reconciliations

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

	31 December 2019 £	31 December 2018 £
Written down value at the beginning of the year	15,445	11,703
Additions	2,647	11,364
Depreciation expense	<u>(8,895)</u>	<u>(7,622)</u>
Written down value at the end of the year	<u>9,197</u>	<u>15,445</u>

Trading 212 UK Limited
Notes to the financial statements
31 December 2019

13. Cash and cash equivalents

	31 December 2019 £	31 December 2018 £
Cash at bank	<u>1,620,639</u>	<u>2,446,700</u>

The directors consider that the carrying amount of cash and cash equivalents approximates at their fair value. All of the Company's cash and cash equivalents at 31 December 2019 and 31 December 2018, respectively, 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 19.

14. Trade and other receivables

	31 December 2019 £	31 December 2018 £
Trade receivables	1,132,155	700,665
Other debtors	2,666,352	2,620,680
Prepayments	60,697	40,522
	<u>3,859,204</u>	<u>3,361,867</u>

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.

15. Trade and other payables

	31 December 2019 £	31 December 2018 £
Trade payables	351,862	31,936
Other taxation and social security	14,892	9,075
Accruals	57,770	54,088
	<u>424,524</u>	<u>95,099</u>

Refer to note 19 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.

Trading 212 UK Limited
Notes to the financial statements
31 December 2019

15. Trade and other payables (continued)

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 year.

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

16. Share capital

	31 December 2019 Shares	31 December 2018 Shares	31 December 2019 £	31 December 2018 £
Ordinary shares - fully paid of £1 each	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,800,000</u>

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. All ordinary shares are fully paid, and the Company does not have a limited amount of authorised capital. In the prior year, 800,000 of the Company's ordinary shares with the nominal value of GBP1 were acquired in cash by Trading 212 Group Limited. No ordinary shares were acquired in 2019.

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.

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 dividend payment to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt.

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

17. Retained earnings

	31 December 2019 £	31 December 2018 £
Retained earnings at the beginning of the financial year	<u>2,577,535</u>	1,075,895
(Loss)/profit after tax for the year	<u>(314,735)</u>	<u>1,501,640</u>
Retained earnings at the end of the financial year	<u>2,262,800</u>	<u>2,577,535</u>

18. Dividends

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

Notes to the financial statements**31 December 2019****19. 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.

	31 December 2019 £	31 December 2018 £
Financial assets measured at amortised cost		
Cash and cash equivalents	1,620,639	2,446,700
Trade receivables	1,132,155	700,665
Other debtors	<u>2,666,352</u>	<u>2,620,680</u>
	<u>5,419,146</u>	<u>5,768,045</u>
Financial liabilities measured at amortised cost		
Trade payables	31,179	31,936
Other creditors	320,969	-
Accruals	<u>57,770</u>	<u>54,088</u>
	<u>409,918</u>	<u>86,024</u>

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 2019 £	31 December 2018 £
Canadian dollar	158,159	73,430
US dollar	233,108	371,315
Euro	<u>196,610</u>	<u>129,452</u>
	<u>588,877</u>	<u>574,197</u>

Notes to the Financial Statements

31 December 2019

19. 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 2019	31 December 2018	31 December 2019	31 December 2018
	£	£	£	£
US dollar	288,170	272,987	-	1,142
Euro	2,151,820	2,582,313	-	2,076
Canadian dollar	33,563	84,386	-	-
Swiss franc	41,926	(8,036)	-	-
Czech koruna	(197)	-	-	-
Norwegian krone	(3,680)	-	-	-
Polish zloty	(6,505)	-	-	-
Swedish krona	(2,102)	-	-	-
Romanian leu	(546)	-	-	-
	<u>2,502,449</u>	<u>2,931,650</u>	<u>-</u>	<u>3,218</u>

At 31 December 2019 and 31 December 2018, respectively, if the US dollar and the Euro and other currencies had strengthened or weakened by 10% against GBP with all other variables held constant, pre-tax profits and equity would have increased/(decreased) by:

31 December 2019	% change	Sterling strengthened		% change	Sterling weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
US dollar	10%	32,019	32,019	10%	(26,197)	(26,197)
Euro	10%	239,091	239,091	10%	(195,620)	(195,620)
Canadian dollar	10%	3,729	3,729	10%	(3,051)	(3,051)
Swiss franc	10%	4,658	4,658	10%	(3,811)	(3,811)
Czech koruna	10%	(22)	(22)	10%	18	18
Norwegian krone	10%	(409)	(409)	10%	335	335
Polish zloty	10%	(723)	(723)	10%	591	591
Swedish krona	10%	(234)	(234)	10%	191	191
Romanian leu	10%	(61)	(61)	10%	50	50
		<u>278,048</u>	<u>278,048</u>		<u>227,494</u>	<u>227,494</u>

31 December 2018	% change	Sterling strengthened		% change	Sterling weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
US dollar	10%	30,459	30,459	10%	(24,921)	(24,921)
Euro	10%	287,154	287,154	10%	(234,944)	(234,944)
Canadian dollar	10%	9,376	9,376	10%	(7,671)	(7,671)
Swiss franc	10%	(893)	(893)	10%	731	731
		<u>326,096</u>	<u>326,096</u>		<u>(266,805)</u>	<u>(266,805)</u>

Notes to the Financial Statements

31 December 2019

19. Financial instruments (continued)

Ten percent (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 year-end for a 10% change in foreign currency rates. A positive number indicates an increase in profit and equity where the US dollar, Euro or other currencies strengthens against Sterling. For a 10% weakening of the US dollar, Euro or other currencies 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-principal broker status the Company is not exposed to any price risk.

Interest rate risk

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

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 Trading 212 UK Limited 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-principal broker status, the Company is obliged to match all client positions with mirror positions 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 and liquidity stress test results.

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 case of adverse market movements. However, the Company's client credit risk exposure is limited by the automatic closing mechanism (margin call), embedded in the Trading 212 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.

Notes to the Financial Statements

31 December 2019

19. Financial instruments (continued)

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.

20. Pension

The Company contributes to individual money purchase pension schemes for its employees. The assets of the scheme are held separately from those of the Company in an independently administered pension scheme. The pension cost charge represents contributions paid by the Company to respective schemes and amounted to £40,754 in the year under review (2018: £28,431). Contributions totalling £286 (2018: £83) were payable at the statement of financial position date and are included in other creditors (see note 15).

21. Lease commitments

At the year end, the Company had annual commitments under non-cancellable leases as follows:

	31 December 2019 £	31 December 2018 £
<i>Lease commitments</i>		
Amounts due within one year	111,550	54,348
Amounts due within two years	<u>38,058</u>	<u>-</u>

22. Related party transactions

During the year the Company entered into CFD derivative contracts with Trading 212 Limited, a company under common control, under the normal course of business to simultaneously "match" the trades of Trading 212 UK Limited's customers as is a requirement of a matched principal broker. Detailed disclosure of positive and negative movements to the margin account of Trading 212 UK Limited in Trading 212 Limited is given as follows.

	31 December 2019 £	31 December 2018 £
Trading account deposits	12,538,064	27,375,588
Trading account withdrawals	<u>(152,262)</u>	<u>(727,623)</u>
Net trading gains from CFD derivative contracts	15,598,956	14,156,087
Net trading losses from CFD derivative contracts	<u>(28,538,274)</u>	<u>(40,298,818)</u>

At the statement of financial position date, an amount of £318,249 (2018: £235,267) was due to Trading 212 Limited in respect of these contracts.

The Company hires the right to use the electronic trading platform and brand name Trading 212 for a fixed annual compensation of £10,000 payable to Trading 212 Limited (2018: £10,000).

Trading 212 UK Limited
Notes to the financial statements
31 December 2019

22. Related party transactions (continued)

In December 2018, the Company entered into an agreement with its sister company Trading 212 Limited, to run a promotional campaign ("Free Share Promotion Programme"), mainly geared towards increasing the Company's commission-free stockbroking client base and the popularity of Trading 212 ("T212") brand as a whole. During the year under review, Trading 212 Limited compensated the Company £2,703,570 (2018: £nil) in respect of costs associated with the promotional campaign in accordance with the agreement:

23. Segregated client funds

The Company operates eleven (2018: five) segregated client money bank accounts. As at 31 December 2019 the total balance of these accounts was £17,591,591 (2018: £14,035,844).

24. Events after the statement of financial position date

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic.

Governments have reacted in order to slow down the spread of the outbreak with varying measures such as restricting travel, banning large social gatherings, closing schools, shops and other establishments with a general modus operandi of social distancing or isolation to prevent the spread of the virus.

The duration, social, economic, and political consequences of the pandemic are unknown. Consequently, we are in uncharted territory with financial markets and businesses are being severely disrupted. The Company however is well placed to cope with such a crisis. It has activated Business Continuity Plans which enabled all staff to function remotely. Being an online-only business enables its clients to continue trading and investing, providing the communications infrastructure remains intact.

The extreme volatility in the financial markets is beneficial for trading volumes in the short term. The longer-term impact of a prolonged recession is harder to gauge, particularly as the Company's products are largely discretionary spend. We anticipate that an initial uplift in profitability may be offset by a longer-term reduction in volumes.

25. Controlling party

The immediate parent company is Trading 212 Group Limited, a company incorporated in the United Kingdom and registered in England and Wales.

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