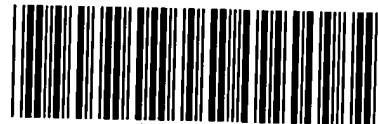


Registered Number 08590005

Trading 212 UK Limited

**Directors' report and financial statements for the year
ended - 31 December 2017**

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Trading 212 UK Limited
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31 December 2017

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Trading 212 UK Limited
Corporate Directory
31 December 2017

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
Accountants	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB

Trading 212 UK Limited

Strategic Report

31 December 2017

Business activity and review

The Company's activity during the period consisted of i) Provision of an internet-based CFD trading service ii) An agency stockbroking facility. Both products are operated through the Trading 212 trading platform to clients predominantly resident in the UK and Germany. 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. All 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.

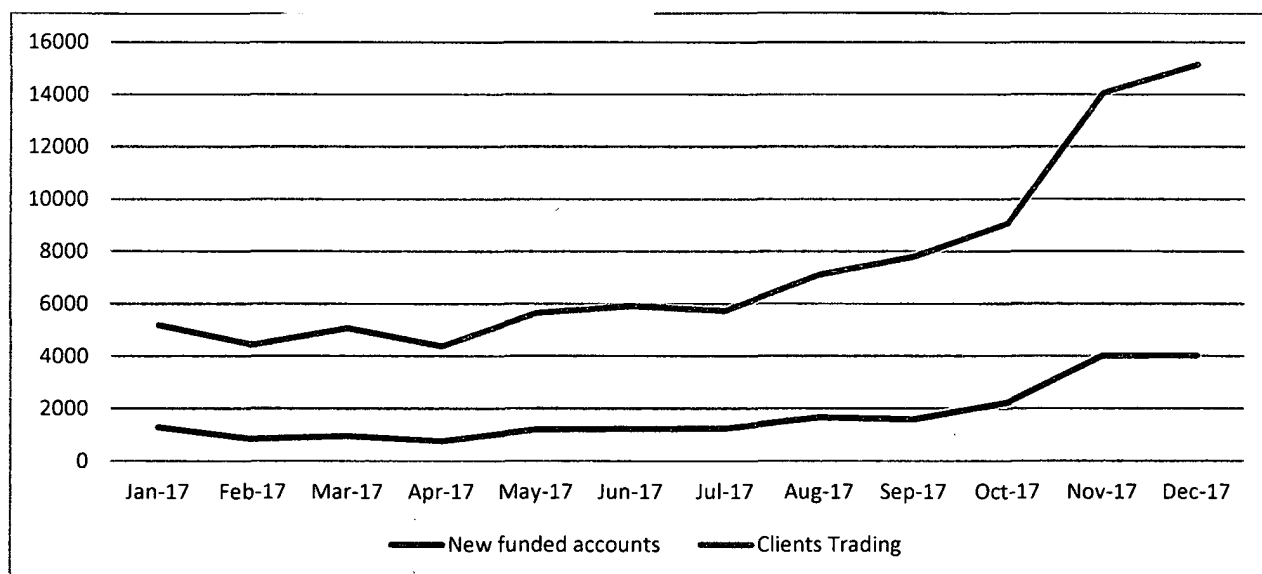
The key financial indicators during the period were as follows:

	Dec 17	Dec 16
Net Assets	£3,075,894	£2,031,701
Trading Revenue	£4,178,043	£1,093,040
Operating Profit	£1,241,483	£447,611

Non-financial Indicators

Non-financial indicators are measures of customer acquisition and customer activity. In this regard the figures are flattered by a surge in popularity of cryptocurrency trading in the final quarter of the year.

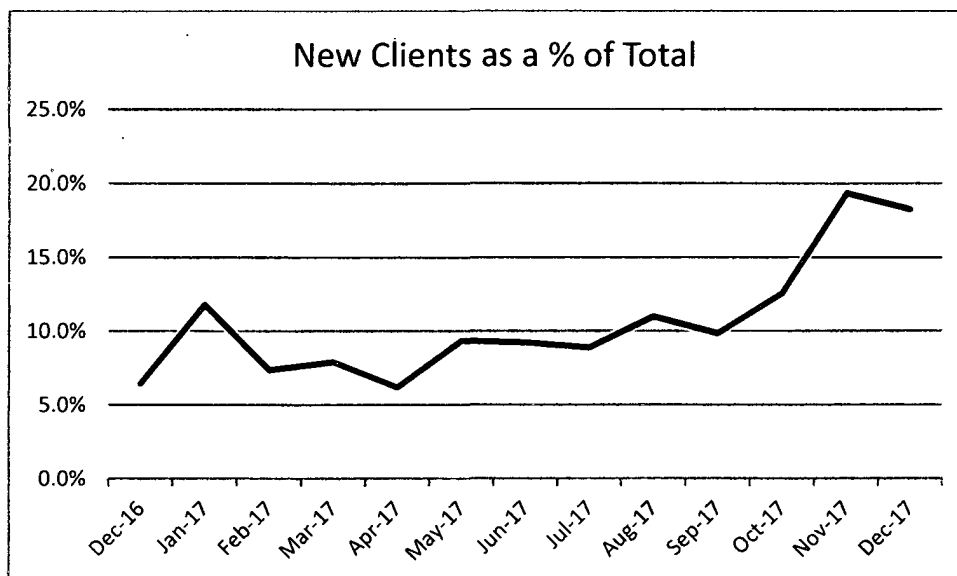
Fig 1 – New accounts and No. Trading Clients



The Board is cautious about the popularity of cryptocurrency trading, noting parallels with the irrational exuberance of the dotcom bubble. Additionally, the Board notes FCA warnings on leveraged cryptocurrency trading and regulatory moves elsewhere to limit it. Nonetheless, in terms of acquisition it is clear that 2017 was successful for the company.

During the period, the number of accounts with a positive balance doubled to a little over 20 000. Ignoring the attraction of cryptocurrencies, this means that the number of potential traders with the ability to place a trade on the platform has doubled. By any measure this is a significant achievement. A further note of caution should be drawn, however, over the proportion of new accounts making up 'active' accounts.

Fig 2 – Percentage of New Clients as a percentage of Total Active Accounts



The company's success lies in its long-term attractiveness to clients. Where newly funded clients make up a higher proportion of total funded accounts, this is suggestive of a short-term spike rather than a longer trend.

Despite the probable spike, the longer-term trend in account opening is healthy. Excluding the data Sep – Dec, we saw a 30% increase in active clients in Q1 – Q3, and an increase of roughly 60% in the number of clients trading. Some of this is down to a new product line, physical equities but these are nonetheless clients capable of generating revenue.

Technology

The Company uses the Trading212 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 Trading212 app being amongst the most downloaded financial trading apps in the UK.

Regulatory Environment

Little change in the regulatory environment surrounding physical shares is anticipated. Conversely, the regulatory regime surrounding CFD trading is in a process of change. While the FCA have abnegated their proposed changes, ESMA are conducting a consultation, the results of which are due to be published in the Spring. This could have a major impact on the business, and we have therefore modelled the effect of severe revenue depletion. The majority of the firm's costs are flexible, and the Board is confident it is in a good position in advance of ESMA's pronouncement.

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 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.

Trading 212 UK Limited
Strategic Report
31 December 2017

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 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.

Exceptional Events

An issue with the price feed for one instrument overnight on 11th / 12th November, and the resulting temporary trading suspension of this instrument prompted a significant number of complaints from clients. The majority of claims arising have been settled and any compensation paid out has been reimbursed by the trading platform provider.

Looking Forward

The company finishes the period with a solid capital base. The Board has been cautious in increasing its cost base ahead of the proposed EMSA restrictions. The volumes achieved in this period are unlikely to be sustainable; a major driver of growth has been a cryptocurrency bubble, which thanks to its market position the firm has been able to exploit. In light of recent regulatory developments, the company is developing more diverse revenue streams and will invest in product development with this in mind. Stockbroking is not yet producing significant revenues and it is not expected to for several years. Nonetheless it represents an important diversification from leveraged products.

Trading 212 UK Limited
Strategic Report
31 December 2017

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'N. L. Saunders', written over a horizontal line.

Nicholas Luke Saunders
Director

17 April 2018

Trading 212 UK Limited
Directors' Report
31 December 2017

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 year ending 31 Dec-17 was £1,044,194 (31 December 2016 – £358,843) as shown in the profit and loss account. The directors do not propose a dividend and propose to transfer the profit to reserves.

Significant changes in the state of affairs

The Board is not planning any significant changes, nor is it aware of any external issues which may precipitate significant change other than the outcome of the ESMA consultation.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2017 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

Until the European regulatory landscape is clearer, there are no definite plans for future developments. Strategically, the Board is examining how to diversify its revenue streams into non-leveraged products, a line that may well be its focus in FY18. Should business continue to grow, and the company's capital base be considered sufficient, it is likely the company will seek to upgrade its licence with the FCA to allow it to run some of its own risk positions. This too though will depend on the outcome of the ESMA consultation.

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.

Trading 212 UK Limited
Directors' Report
31 December 2017

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

On behalf of the directors

A handwritten signature in black ink, appearing to be 'NLS', written over a horizontal line.

Nicholas Luke Saunders
Director

17 April 2018

Trading 212 UK Limited
Directors' Responsibilities Statement
31 December 2017

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.

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 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.

Trading 212 UK Limited
Independent Auditor's Report to the members of Trading 212 UK Limited
31 December 2017

We have audited the financial statements of Trading 212 UK Limited for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the 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 2017 and of its profits 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.

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.

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 where:

- 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.

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.

Trading 212 UK Limited

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

31 December 2017

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 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 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 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

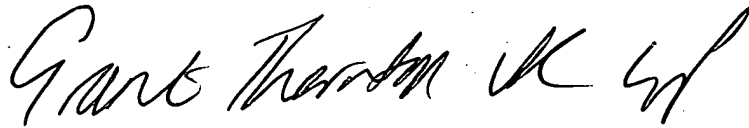
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Trading 212 UK Limited

Independent Auditor's Report to the members of Trading 212 UK Limited
31 December 2017

A handwritten signature in black ink, appearing to read "Grant Thornton UK LLP", written in a cursive style.

David Pearson

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: 17 April 2018

Trading 212 UK Limited
Statement of Comprehensive Income
For the year ended 31 December 2017

	Notes	31 December 2017 £	31 August 2016 to 31 December 2016 £
Revenue	4	4,178,043	1,093,040
Compensation income	10	1,666,928	-
Expenses			
Administrative expenses	5	(2,909,369)	(644,674)
Compensation expense	10	(1,689,472)	-
Depreciation and amortisation expense		(4,647)	(755)
Total expenses		<u>(4,603,488)</u>	<u>(645,429)</u>
Operating profit		1,241,483	447,611
Other Income		216	
Finance costs	9	(764)	-
Unrealised FX gain		<u>38,792</u>	<u>-</u>
Profit before income tax expense		1,279,727	447,611
Income tax expense	11	<u>(235,533)</u>	<u>(88,768)</u>
Profit after income tax expense for the period attributable to the owners of Trading 212 UK Limited	17	1,044,194	358,843
Other comprehensive income for the period, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the period attributable to the owners of Trading 212 UK Limited		<u><u>1,044,194</u></u>	<u><u>358,843</u></u>

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 2017

	Note	31 December 2017 £	31 August 2016 to 31 December 2016 £
Assets			
Non-current assets			
Property, plant and equipment	12	11,703	8,142
Total non-current assets		<u>11,703</u>	<u>8,142</u>
Current assets			
Cash and cash equivalents	13	2,098,231	2,285,521
Trade and other receivables	14	1,641,980	530,533
Total current assets		<u>3,740,211</u>	<u>2,816,054</u>
Total assets		<u>3,751,914</u>	<u>2,824,196</u>
Liabilities			
Current liabilities			
Trade and other payables	15	440,913	411,309
Income tax	11	235,106	381,186
Total current liabilities		<u>676,019</u>	<u>792,495</u>
Total liabilities		<u>676,019</u>	<u>792,495</u>
Net assets		<u>3,075,895</u>	<u>2,031,701</u>
Equity			
Issued capital	16	2,000,000	500,000
Retained profits	17	1,075,895	1,531,701
Total equity		<u>3,075,895</u>	<u>2,031,701</u>



Nicholas Luke Saunders
Director

17 April 2018

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

Trading 212 UK Limited
Statement of Changes in Equity
For the year ended 31 December 2017

	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	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	358,843	358,843
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2016	<u>500,000</u>	<u>1,531,701</u>	<u>2,031,701</u>

	Issued capital £	Retained profits £	Total equity £
Balance at 31 December 2016	500,000	1,531,701	2,031,701
Profit after income tax expense for the period	-	1,044,194	1,044,194
Other comprehensive income for the period, net of tax	-	-	-
Issue of Bonus Shares	<u>1,500,000</u>	<u>(1,500,000)</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	1,044,194	1,044,194
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	<u>2,000,000</u>	<u>1,075,895</u>	<u>3,075,895</u>

A bonus issue of 1,500,000 ordinary shares with nominal value of GBP 1 was made on the 16th May 2017, effectively capitalizing prior year retained earnings.

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 2017

		31 December 2017 £	31 August 2016 to 31 December 2016 £
Cash flows from operating activities			
Profit before income tax expense for the period		1,279,727	447,611
Adjustments for:			
Depreciation and amortisation	12	4,647	754
Interest and other finance costs		547	-
		<u>1,284,921</u>	<u>448,365</u>
Decrease/(increase) in trade and other receivables		(1,111,447)	254,585
Increase in trade and other payables		29,604	31,328
		<u>203,078</u>	<u>734,278</u>
Interest and other finance costs		(547)	-
Income taxes paid		<u>(381,613)</u>	<u>(139)</u>
Net cash from operating activities		<u>(179,082)</u>	<u>734,139</u>
Cash flows from investing activities			
Payments for property, plant and equipment	12	<u>(8,208)</u>	<u>(6,088)</u>
Net cash used in investing activities		<u>(8,208)</u>	<u>(6,088)</u>
Cash flows from financing activities			
Net cash from financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		(187,290)	728,051
Cash and cash equivalents at the beginning of the financial period		<u>2,285,521</u>	<u>1,557,470</u>
Cash and cash equivalents at the end of the financial period	13	<u><u>2,098,231</u></u>	<u><u>2,285,521</u></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 2017

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 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.

Accounting

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 2017. 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. 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.

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 2017. 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.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

2. Significant accounting policies (continued)

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.

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, 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.

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.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

2. Significant accounting policies (continued)

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.

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 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.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

2. Significant accounting policies (continued)

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.

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.

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.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

2. Significant accounting policies (continued)

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.

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 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.

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

4. Net trading revenue

	31 December 2017 £	31 August 2016 to 31 December 2016 £
Investment brokerage services	4,178,043	1,093,040

5. Administrative expenses

	31 December 2017 £	31 August 2016 to 31 December 2016 £
Staff costs	321,124	84,025
Entertainment	256	-
General expenses	259,395	9,158
IT software and consumables	1,148	2,282
Platform expenses	10,000	1
Printing, postage and stationery	26,517	379
Rent	50,460	15,388
Subscriptions	421	-
Telephone and internet	5,737	184
Travel	80	2
Irrecoverable VAT	308,718	77,479
Audit and accountancy	186,881	32,988
Advertising and marketing	1,124,131	332,391
Bank fees	10,746	2,391
Foreign exchange	3,214	(37,745)
Payment provider charges	425,431	73,618
Compliance and consulting	152,811	49,031
Insurance	20,376	3,102
Staff training	1,923	-
	<u>2,909,369</u>	<u>644,674</u>

6. Auditors' remuneration

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

	31 December 2017 £	31 August 2016 to 31 December 2016 £
Fees payable to the company's auditor for the audit of the company accounts	19,600	19,000
CASS audit fee	40,000	-
All other non-audit services not included above	-	3,157
	<u>59,600</u>	<u>22,157</u>

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

7. Staff costs

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

	31 December 2017 £	31 August 2016 to 31 December 2016 £
Wages and salaries	246,992	68,992
Social security costs	30,528	8,681
Other pension costs	23,163	6,352
Termination benefits	20,441	-
	<u>321,124</u>	<u>84,025</u>

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

	31 December 2017	31 August 2016 to 31 December 2016
Directors	2	2
Administration	3	2
	<u>5</u>	<u>4</u>

8. Directors' remuneration

	31 December 2017	31 August 2016 to 31 December 2016
Remuneration	96,000	32,667
Company pension contributions to defined contribution pension schemes	16,896	5,652
	<u>112,896</u>	<u>38,319</u>

During the period retirement benefits were accruing to 1 director (31 December 2016 - 1 director) in respect of defined contribution pension schemes.

Trading 212 UK Limited
Notes to the financial statements
31 December 2017

9. Finance costs

	31 December 2017 £	31 August- 2016 to 31 December 2016 £
Interest paid	764	-

10. Exceptional Items

Trading 212 UK Limited ("client") has a signed Client Agreement with Trading 212 Ltd ("trading 212") by virtue of which Trading 212 receives and executes orders for transactions with contracts for difference (CFD) via Trading 212's electronic trading platform, at the Client's expense and risk.

On and around 11 and 12 November 2017, Trading 212 UK placed a number of CFD Bitcoin Cash orders on Trading 212's trading platform. On and around the same dates and under the terms of the Client Agreement, Trading 212 voided some of the Client's orders with Bitcoin Cash (BCH) due to delays in obtaining the necessary information to form correct price quotes of the BCH.

Trading 212 agreed to compensate the Client for any amount which the client paid to its retail clients to settle amicably any potential disputes which arose regarding the cancellation of the BCH trades. The total amount of the settlement reimbursed by Trading 212 was approximately £1.7m under a contractual agreement.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

11. Income tax

	31 December 2017 £	31 August 2016 to 31 December 2016 £
<i>Income tax expense</i>		
Current tax	235,533	88,629
Adjustment recognised for prior periods	(426)	139
Aggregate income tax expense	<u>235,107</u>	<u>88,768</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	1,279,727	447,611
Deductions	(38,792)	-
Adjusted Profit before income tax expense	<u>1,240,935</u>	<u>447,611</u>
Tax at the statutory tax rate of 19%(2016: 20%)	235,778	89,522
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation of property, plant and equipment	(676)	(1,067)
Expenses not deductible for tax	5	174
	235,107	88,629
Adjustment recognised for prior periods	-	139
Prior period tax losses not recognised now recouped	-	-
Income tax expense	<u>235,107</u>	<u>88,768</u>
	31 December 2017 £	31 August 2016 to 31 December 2016 £
<i>Provision for income tax</i>		
Provision for income tax	<u>235,107</u>	<u>381,186</u>

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

	31 December 2017 £	31 August 2016 to 31 December 2016 £
Office equipment - at cost	18,043	9,835
Less: Accumulated depreciation	(6,340)	(1,693)
	<u>11,703</u>	<u>8,142</u>

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

Reconciliations

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

	31 December 2017 £	31 August 2016 to 31 December 2016 £
Written down value at the beginning of the period	8,142	2,808
Additions	8,208	6,088
Depreciation expense	(4,647)	(754)
	<hr/>	<hr/>
Written down value at the end of the period	<u>11,703</u>	<u>8,142</u>

13. Current assets - cash and cash equivalents

	31 December 2017 £	31 December 2016 £
Cash at bank	<u>2,098,231</u>	<u>2,285,521</u>

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 2017 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.

14. Current assets - trade and other receivables

	31 December 2017 £	31 December 2016 £
Trade receivables	1,590,923	173,388
Other debtors	11,798	329,119
Prepayments	<u>39,259</u>	<u>28,026</u>
	<hr/>	<hr/>
	<u>1,641,980</u>	<u>530,533</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.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

15. Current liabilities - trade and other payables

	31 December 2017 £	31 December 2016 £
Trade payables	355,506	260,274
Other taxation and social security	40,512	72,177
Other creditors	371	1,310
Accruals	<u>44,524</u>	<u>77,548</u>
	<u>440,913</u>	<u>411,309</u>

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.

16. Equity - issued capital

	31 December 2017 Shares	31 December 2016 Shares	31 December 2017 £	31 December 2016 £
Ordinary shares - fully paid of £1 each	<u>2,000,000</u>	<u>500,000</u>	<u>2,000,000</u>	<u>500,000</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. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On the 16th May 2017, a bonus issue of 1,500,000 ordinary shares with the nominal value of GBP1 was made.

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 number 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.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

17. Equity - retained profits

	31 December 2017 £	31 December 2016 £
Retained profits/ (accumulated losses) at the beginning of the financial period	1,531,701	1,172,858
Capitalised profits	(1,500,000)	-
Profit after income tax expense for the period	1,044,194	358,843
Retained profits at the end of the financial period	<u>1,075,895</u>	<u>1,531,701</u>

18. Equity - dividends

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

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.

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 inputs 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):

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

19. Financial instruments (continued)

	31 December 2017 £	31 December 2016 £
Financial assets (current)		
Cash and cash equivalents (at amortised cost)	2,098,231	2,285,521
Trade and other receivables (at amortised cost)	1,590,923	493,174
	<u>3,689,154</u>	<u>2,778,695</u>
Financial liabilities (current)		
Trade payables (at amortised cost)	355,505	260,274
Other creditors (at amortised cost)	371	1,310
Accruals (other financial liability)	44,524	75,056
	<u>400,400</u>	<u>336,640</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 2017 £	31 December 2016 £
US Dollars	842	108,591
Euros	967,043	672,543
	<u>967,885</u>	<u>781,134</u>

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

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:

	31 December 2017 £	Assets 31 December 2016 £	31 December 2017 £	Liabilities 31 December 2016 £
US dollars	(207,852)	121,148	1,347	1,521
Euros	2,731,617	863,537	2,639	35,604
	<u>2,523,765</u>	<u>984,685</u>	<u>3,986</u>	<u>37,125</u>

At 31 December 2017, 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:

31 December 2017	% change	Sterling strengthened		% change	Sterling weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
US dollars	10%	(23,244)	(23,244)	10%	19,018	19,018
Euro	10%	303,219	303,219	10%	(248,089)	(248,089)
		<u>279,975</u>	<u>279,975</u>		<u>(229,071)</u>	<u>(229,071)</u>

31 December 2016	% change	Sterling strengthened		% change	Sterling weakened	
		Effect on profit before tax	Effect on equity		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)
		<u>105,285</u>	<u>105,285</u>		<u>(86,142)</u>	<u>(86,142)</u>

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 exposed to any significant interest rate risk at this time on the basis that it has no borrowings.

Trading 212 UK Limited
Notes to the Financial Statements
31 December 2017

19. 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 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, 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 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.

Trading 212 UK Limited
Notes to the financial statements
31 December 2017

20. 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 £23,163 (31 December 2016 - £6,352). Contributions totalling £28 (31 December 2016 - £870) were payable to the fund at the balance sheet date and are included in other creditors (see note 15).

21. Operating lease commitments

At 31 December 2017 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 2017 £	31 December 2016 £
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	<u>47,640</u>	<u>11,337</u>

22. Related party transactions

During the year Trading 212 UK Limited entered into CFD derivative contracts with Trading 212 Limited, a company under the common control, under the normal course of business to simultaneously "match" the trades of Trading 212 UK Limited's customers as is a required 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 2017 £	31 August 2016 to 31 December 2016 £
Trading account deposits	18,427,275	4,847,640
Trading account withdrawals	<u>(4,176,388)</u>	<u>(305,725)</u>
Net trading gains from CFD derivative contracts	15,950,534	3,009,143
Net trading losses from CFD derivative contracts	<u>(30,436,125)</u>	<u>(7,641,865)</u>

At balance sheet date the amount of £269,967 was due to (31 December 2016: £35,263 due to) Trading 212 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 Trading 212 Limited.

23. Segregated client funds

The company operates three segregated client money bank accounts. As at 31 December 2017 the total balance of these accounts was £8,662,926 (31 December 2016: £2,758,864).

Trading 212 UK Limited
Notes to the financial statements
31 December 2017

24. Events after the reporting period

No matter or circumstance has arisen since 31 December 2017 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.

25. Controlling party

The immediate parent company is Trading 212 Group Limited, a company incorporated in the UK.

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