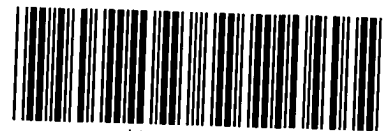


**Registered Number 10014283**

**Trading 212 Group Limited**

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

THURSDAY



\*L7FC77SI\*  
LD3 27/09/2018 #271  
COMPANIES HOUSE

**Trading 212 Group Limited**  
**Corporate directory**  
**31 December 2017**

Directors	Borislav Nedialkov Nicholas Luke Saunders
Registered Number	10014283
Registered office	107 Cheapside, London United Kingdom, EC2V 6DN
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

# **Trading 212 Group Limited**

## **Directors' report**

### **31 December 2017**

#### **Strategic Report**

Trading 212 Group Limited was incorporated in February 2016 with the intention that it would acquire and act as the holding company for financial trading businesses. It does not conduct any commercial activities itself. As of 31st December 2017, the Group had three subsidiaries, Trading 212 Limited, Trading 212 UK Limited and Trading 212 CY Limited (i.e. each subsidiary jointly referred as "Trading 212").

#### **Business Review**

The Group's subsidiaries operate a Contracts for Difference service, taking on clients around the world with the exception of the United States and prohibited jurisdictions. The subsidiaries are authorised and regulated by the Financial Supervision Commission, the Financial Conduct Authority and CySEC, respectively. The underlying assets include equities, equity indices, currencies, cryptocurrencies or commodities with FX, oil and indices being the most popular.

As of December 2017, Trading 212's clients were entirely retail with no corporate or omnibus accounts accepted (except for the purposes of intra-group position hedging). All clients come to the company directly; no rebates are paid to third parties for client acquisition. Market risk for the group is aggregated in the Bulgarian company.

Revenue derives from commissions and spread paid by customers and from client losses on unhedged positions. Trading 212 Group operates a policy of guaranteeing that clients cannot lose more than the amount they deposit. While this policy gives comfort to traders in volatile markets the company will be forced to write off client negative balances, potentially generating a trading loss. It is anticipated though that such losses will be short term as volatility is the single biggest driver of client acquisition; a day's trading loss would be expected to be more than offset by higher trading volumes over the following weeks.

Marketing is generally restricted to online channels, which though costly, target an audience more likely to require Trading 212's mobile-led trading platform than that responding to traditional advertising. Profitability depends on offering clients an attractive venue, and on attracting prospective clients. The USP of the business is its platform and in its service. The business aims to be more generous when dealing with clients than its competitors, recognising the fact that goodwill can be a cost-effective sales tool.

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 on 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 with 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.

#### **Principal Risks and Uncertainties**

##### **Legal and Regulatory**

Regulatory change presents a substantial risk to the Group. The revenue derives almost exclusively from relatively niche products. Post year-end, ESMA has introduced leverage and bonus payment restrictions which will have an effect on trading volumes. In the short term, the Board believes this will reduce profitability, but in the medium to long term increased client longevity ought to make up for this reduction. The Board acknowledges that, with no subsidiaries outside the EU, it is exposed to EU regulatory change, and will consider whether this needs to be addressed in the next year.

**Trading 212 UK Group Limited**  
**Directors' report**  
**31 December 2017**

**Personnel**

The Group's most important resource is its employees. Management therefore monitors staff turnover and aims to ensure that staff are happy and properly remunerated. While some turnover is inevitable, business risks are mitigated by training staff to cover other roles as part of the Group's training programmes.

**Market Risk**

The Group aggregates its market exposure in Bulgaria. Exposure is monitored carefully, and risk parameters decided by senior management. Exposure is a necessary part of the business, and the Board understands that it is not without risk, but that such risk must be appropriately understood and managed. By monitoring and adjusting margin requirements, the Company is able to cushion itself where volatility is ongoing. Additionally, the products offered do not include those unduly liable to sudden spikes – such as shares in Smaller Companies. Similarly, the Board aims to ensure sufficient capital is held not only to meet regulatory requirements, but additionally to cover its market exposure.

**Counterparty Risk**

Trading 212 is exposed to counterparty risk both from any brokers with which it hedges positions, and from any banks where both its own and client funds are kept.

The company has access to a number of execution brokers to hedge positions if needed. The size of positions is monitored by the board which will reduce this concentration risk if it considers it necessary. The solidity of these counterparties is monitored and funds and positions diversified where the Board feels it necessary.

Client funds are held at a variety of banks and execution counterparties. The Board is satisfied that they are suitably creditworthy.

**Financial Key Performance Indicators**

The net assets at the year-end were £13.19m (2016: £14.36m). Although net trading revenue rose to £43.7m (2016: £38.3m) this was offset by a commensurate increase in advertising costs. The effect of this advertising is seen in the increase in client funds held to £17.48m (2016: £9.14m).

**Non-Financial Key Performance Indicators**

Client acquisition was strongly up across the Group, largely as a result of cryptocurrency enthusiasm.

Advertising spend was up accordingly and resulting in sharp increase in new client registrations from 19,011 in 2016 to 35,248 in 2017.

**Directors**

The Strategic Report was approved by the following Directors who served during the year:



Nicholas Luke Saunders  
Director  
27 September 2018

**Trading 212 Group Limited**  
**Directors' Report**  
**31 December 2017**

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2017.

**Principal activity**

The principal activity of the Group continued to be the provision of a retail financial services trading platform.

**Business review and future developments**

A review of the Group's operations and future developments is covered in the Strategic Report together with the Financial Review on pages 2 to 3.

**Financial results**

Details of the Group's financial results are set out in the consolidated statement of comprehensive income and other components of the financial statements on pages 8 to 32.

**Going concern**

After making enquiries and considering the nature of the business, the Directors believe that the Group has sufficient resources to continue trading for the foreseeable future. The Directors believe the Group will have a positive cash flow by 2018, based on projections prepared.

Based on this assessment the Directors believe that continuing to adopt a going concern basis for the preparation of the report and consolidated financial statements is appropriate. This is described in more detail in note 2 to the financial statements.

**Directors and Directors' shareholdings**

The Directors who served on the Board and on Board Committees during the year are set out on page 1. Details of the Directors' remuneration are given in note 21.

**Directors' responsibility statement**

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 and profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

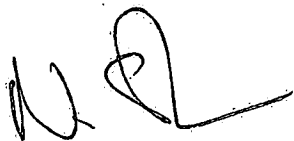
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS (as adopted by the EU);
- prepare the financial statements on the going concern basis unless it is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

**Trading 212 Group Limited**  
**Directors' Report**  
**31 December 2017**

**Independent auditor**

A resolution for the re-appointment of Grant Thornton UK LLP as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.



---

Nicholas Luke Saunders  
Director  
27 September 2018

## **Trading 212 Group Limited**

### **Independent auditor's report to the members of Trading 212 Group Limited**

#### **Independent auditor's report to the members of Trading 212 Group Limited**

##### **Opinion**

We have audited the financial statements of the Trading 212 Group Limited group for the year ended 31 December 2017, which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements 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 group and the parent 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.

##### **Who we are reporting to**

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 group's or the parent 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.

## **Trading 212 Group Limited**

### **Independent auditor's report to the members of Trading 212 Group Limited**

#### **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 group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.



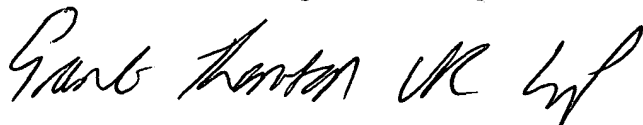
## Trading 212 Group Limited

### Independent auditor's report to the members of Trading 212 Group Limited

#### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**David Pearson**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

**London**

27 September 2018

**Trading 212 Group Limited**  
**Consolidated statement of comprehensive income**  
**For the period ended 31 December 2017**

	Note	31 December 2017 £'000	31 December 2016 £'000
Revenue	4	43,719	38,283
Other income	5	43	33
<b>Expenses</b>			
Administrative expenses	6,7,8	(40,781)	(28,987)
Depreciation and amortisation expense		(579)	(631)
Total expenses		<u>(41,360)</u>	<u>(29,618)</u>
<b>Operating profit</b>		2,402	8,698
Finance income	9	673	551
Finance costs	9	(1,326)	(901)
FX gains/losses, net	10	<u>(473)</u>	<u>(468)</u>
<b>Profit before income tax expense</b>		1,276	7,879
Income tax expense	11	<u>(353)</u>	<u>(970)</u>
<b>Profit after income tax expense for the period attributable to the owners of Trading 212 Group Limited</b>		923	6,909
Other comprehensive income for the period, net of tax		349	243
<b>Total comprehensive income for the period attributable to the owners of Trading 212 Group Limited</b>		<u>1,272</u>	<u>7,152</u>

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

**Trading 212 Group Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2017**

	Note	31 December 2017 £'000	31 December 2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1,180	778
Intangible assets	12	64	160
Investments	14	202	202
Trade and other receivables	16	439	-
Deferred assets		13	8
Total non-current assets		<u>1,898</u>	<u>1,148</u>
<b>Current assets</b>			
Cash and cash equivalents	15	10,499	14,302
Trade and other receivables	16	3,243	1,268
Derivatives		6	8
Total current assets		<u>13,748</u>	<u>15,579</u>
<b>Total assets</b>		<u>15,646</u>	<u>16,727</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	2,220	1,712
Income tax		235	654
Total current liabilities		<u>2,455</u>	<u>2,367</u>
<b>Total liabilities</b>		<u>2,455</u>	<u>2,367</u>
<b>Net assets</b>		<u>13,191</u>	<u>14,360</u>
<b>Equity</b>			
Issued capital	18	3,132	2,867
Share premium		882	882
Other reserves		1,312	963
Retained profits		7,850	9,648
Capital and reserves attributable to the owners of Trading 212 Group		<u>13,176</u>	<u>14,360</u>
Non-controlling interest		15	-
<b>Total equity</b>		<u>13,191</u>	<u>14,360</u>

Date of approval of the annual financial information by the Group's Board of Directors:  
27 September 2018



Nicholas Luke Saunders  
Director

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

**Trading 212 Group Limited**  
**Consolidated statement of changes in equity**  
**For the period ended 31 December 2017**

	Share capital £'000	Share premium £'000	Other reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2016	622	882	720	-	6,978	-	9,202
Increase in share capital	2,245	-	-	-	(2,058)	-	186
Dividends	-	-	-	-	(2,181)	-	(2,181)
Profit after income tax expense for the year	-	-	-	-	6,909	-	6,909
Other comprehensive income for the year, net of tax	-	-	-	243	-	-	243
Balance at 31 December 2016	2,867	882	720	243	9,648	-	14,360
	Share capital £'000	Share premium £'000	Other reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2017	2,867	882	720	243	9,648	-	14,360
Increase in share capital	265	-	-	-	-	-	265
Dividends	-	-	-	-	(2,721)	-	(2,721)
Profit after income tax expense for the year	-	-	-	-	923	-	923
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	15	15
Other comprehensive income for the year, net of tax	-	-	-	349	-	-	349
Balance at 31 December 2017	3,132	882	720	592	7,850	15	13,191

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

**Trading 212 Group Limited**  
**Consolidated statement of cash flows**  
**For the period ended 31 December 2017**

		31 December 2017 £'000	31 December 2016 £'000
	Note		
<b>Cash flows from operating activities</b>			
Profit before income tax expense for the period		1,276	7,879
Adjustments for:			
Depreciation and amortisation	12,13	579	631
Interest and other finance costs		1	1
		<u>1,856</u>	<u>8,511</u>
Decrease/(increase) in trade and other receivables		(2,601)	(548)
Increase in trade and other payables		557	1,074
		<u>(188)</u>	<u>9,037</u>
Interest and other finance costs		(1)	(1)
Income taxes paid		<u>(415)</u>	<u>(745)</u>
Net cash from operating activities		<u>(604)</u>	<u>8,291</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	13	(860)	(362)
Proceeds from sale of property, plant and equipment	13	9	17
Payments for purchase of other investments		(2)	(101)
Proceeds from sale of other investments		<u>2</u>	<u>-</u>
Net cash used in investing activities		<u>(851)</u>	<u>(446)</u>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	19	<u>(2,721)</u>	<u>(2,181)</u>
Net cash from financing activities		<u>(2,721)</u>	<u>(2,181)</u>
Net increase in cash and cash equivalents		(4,176)	5,664
Cash and cash equivalents at the beginning of the financial period		<u>14,302</u>	<u>7,445</u>
Effects of exchange rates on cash		373	1,193
Cash and cash equivalents at the end of the financial period	15	<u><u>10,499</u></u>	<u><u>14,302</u></u>

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

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2017**

**1. General information**

*Country of incorporation and principal activity*

Trading 212 Group Limited has been domiciled and incorporated in the England and Wales since 19 February 2016 as a private company limited by shares. The company operates in the United Kingdom and its principal place of business is 107 Cheapside, London, EC2U 6DN.

Its only business activity is managing its holdings as a financial service holding company.

On 12 October 2016, Trading 212 Group limited acquired 100% of the share capital of Trading 212 UK Limited (formerly Avus Capital UK Limited), a company authorised and regulated by the Financial Conduct Authority (registered number 08590005).

Trading 212 UK Limited has been domiciled and incorporated in the England and Wales since 28 June 2013 as a private company limited by shares. The company is authorised and regulated by the Financial Conduct Authority. It operates in the United Kingdom, Germany and the Netherlands and its only business activity is the provision of Contracts for Difference products (CFDs) based on financial markets and operating through a financial intermediation for its stockbroking business.

On 1 March 2017, Trading 212 Group Limited acquired 100% of the share capital of Trading 212 EOOD (formerly Avus Capital Ltd.), a company authorised and regulated by the Financial Supervision Commission (Register number RG-03-0237).

The scope of activity of Trading 212 EOOD is to provide the following investment services and activities as well as the provision of additional services on the territory of the Republic of Bulgaria and within the European Union and the European Economic Area and in third countries according to the provisions of the Market of Financial Instruments Act (MFAIR) as follows:

**A) Investment services and activities:**

1. Acceptance and transmissions of orders in relation to one or more financial instruments;
2. Execution of customer orders;
3. Own account transactions with financial instruments;
4. Portfolio management;
5. Providing investment advice to customers;
6. Issue of financial instruments and / or initial offering of financial instruments under an unconditional and irrevocable obligation to subscribe / acquire financial instruments on its own expense;
7. Offering for initial sale of financial instruments without unconditional and irrevocable obligation to acquire financial instruments on own account.

**B) Additional services:**

1. Safekeeping and administration of financial instruments at the expense of clients, including Trusteeship activity / holding of financial instruments and money of clients in a depository institution / and the related services such as the management of the received money / the provided collateral;
2. Provisions of loans for transactions with one or more financial instruments, provided that the person providing the loan participates in the transaction under terms and conditions established by an ordinance;
3. Consultancy for other entities on capital structure, industrial strategy and related matters, as well as consultancy and services related to mergers and acquisitions;
4. Provision of services related to foreign types of payment as far as they are related to the provided investment services;
5. Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;
6. Provision of services related to underwriting of issues financial instruments.
7. Provision of services under para. 2 and item 1-5 in relation to the underlying asset of derivative financial instruments under Art. 3, item 2, letters "g", "d", "e" and "i" of FMIA, insofar as they are related to the provision of the items listed under items 1-5 and para. 2 investment and additional services.

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

**1. General information (continued)**

The company's activity as an investment intermediary is carried out on the basis of a license issued by the Financial Supervision Commission under the Financial Instruments Market Act.

Trading 212 EOOD was incorporated in 2010 with registered office and principal place of business Sofia, Bulgaria. Trading 212 EOOD has investment in the following subsidiaries:

Name of subsidiary	Country of incorporation and principal place of business	Main activities	31 December 2017		31 December 2016
			£'000	%	£'000
Avus Supercars Gmbh	Germany	Rent of vehicles	87	100%	-
ProQuant Ltd.	Bulgaria	Software development	110	85%	-
			<u>197</u>		<u>-</u>

On 30 September 2017, Trading 212 Group Limited acquired 100% of the share capital of Trading 212 CY Ltd (formerly Avus Capital CY Ltd), a private company with limited liability with registered office at 57 Kolonakiou Linopetra, 4103 Limassol Cyprus. Since 20 January 2016, Trading 212 CY Limited obtained a provisional license to operate as an Investment Firm in Cyprus from the Cyprus Securities and Exchange Commission (CySEC). The Company was fully approved on 16 August 2016 and commenced its operations during January 2017. It is authorised and regulated by CySEC under license number 290/16.

Trading 212 Group Limited and its wholly owned subsidiaries Trading 212 UK Limited, Trading 212 EOOD and Trading 212 CY Ltd are jointly referred to as "the Group".

**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.

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2017**

**2. Significant accounting policies (continued)**

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 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.

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

**Going concern**

The Group manages its capital to ensure that entities in the Group will remain as going concern while maximizing return to shareholders.

The Group had a profit for the period ended 31 December 2017. The directors are of the opinion that the Group will remain a going concern for the foreseeable future.

**Basis of preparation**

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

*Historical cost convention*

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

*Critical accounting estimates*

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



**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2017**

**2. Significant accounting policies (continued)**

**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.

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.

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

**Current and non-current classification**

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

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

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2017**

**2. Significant accounting policies (continued)**

A liability is classified as current when: it is either expected to be settled in the Group'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.

**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 clients of Trading 212 UK Limited, Trading 212 Limited and Trading 212 CY limited deposit funds with the group companies as margin. This balance is held as collateral against client positions and is unavailable to the group companies except insofar as when a client realises a trading loss it is taken by the companies from this balance.

Trading 212 UK Limited, Trading 212 Limited and Trading 212 CY hold money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA), Financial Supervision Commission (FSC) and Cyprus Securities and Exchange Commission (CySEC), respectively. 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 Companies' ability to control the monies and accordingly such amounts and are not held on the Company's Statement of Financial Position.

There is no interest paid on segregated client accounts.

**Trade and other receivables**

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

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

**Trading 212 Group Limited**  
**Notes to the consolidated 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 recognised in net trading revenue. The Group'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 Trading 212 UK Limited 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:

IT equipment	2/3 years
Machines	4 years
Vehicles	4 years
Fixtures & Fittings	7 years

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.

**Intangible assets**

Intangible assets include software. They are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use, whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed at each reporting date.

Amortisation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

Software	2/3 years
----------	-----------

Amortisation has been included within 'Depreciation, amortisation of non-financial assets'.

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2017**

**2. Significant accounting policies (continued)**

**Intangible assets (continued)**

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss within 'Gain/ (Loss) on sale of non-current assets'.

**Leases**

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

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

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

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

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

**Trade and other payables**

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

**Fair value measurement**

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

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

**Issued capital**

Ordinary shares are classified as equity.

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2017**

**2. Significant accounting policies (continued)**

**Share premium**

Share Premium Account represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

**Common control combinations**

Business combinations involving entities under common control fall outside the scope of IFRS3. The Management of Trading 212 Group Limited has used judgment to develop an accounting policy that provides relevant and reliable information to the users of the financial statements. Under the selected accounting policy of Trading 212 Group, common control combinations are treated in accordance with the predecessor value method.

*A predecessor value method*

The method involves:

- accounting for the value of assets and liabilities of the acquired subsidiary using existing carrying values rather than fair values
- no recognition of goodwill
- comparative periods are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The selected accounting policy will be applied consistently to similar transactions over periods.

**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.

**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.

**Trading 212 UK Limited**  
**Notes to the financial statements**  
**31 December 2016**

**3. Critical accounting judgements, estimates and assumptions (continued)**

*Treatment of client derivative positions*

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

**4. Revenue**

	31 December 2017 £'000	31 December 2016 £'000
Net income from contracts for differences	43,719	38,283

**5. Other income**

	31 December 2017 £'000	31 December 2016 £'000
Gain on sale of non-current assets	7	11
Other	36	21
	43	33

**6. Administrative expenses**

	31 December 2017 £'000	31 December 2016 £'000
Advertising and marketing	31,055	22,650
Staff costs	4,919	3,844
Representative expenses	238	193
General expenses	38	10
IT software and consumables	2	3
Printing, postage, stationery and other materials	106	85
Rent	466	439
Subscriptions	5	1
Telephone and internet	192	139
Travel	54	7
Irrecoverable VAT	492	370
Audit and accountancy	201	127
Compliance and consulting	306	364
Insurance	27	6
Staff training	8	2
Compensation expense	1,689	-
Other	984	747
	40,781	28,987

**Trading 212 UK Limited**  
**Notes to the financial statements**  
**31 December 2016**

**7. Auditors' remuneration**

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

	31 December 2017 £'000	31 December 2016 £'000
Fees payable to the company's auditor for:		
the audit of the consolidated company's accounts	34	25
the audit of the subsidiary undertakings	40	82
other assurance services	40	11
other non-audit services	3	-
	<u>117</u>	<u>118</u>

**8. Staff costs**

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

	31 December 2017 £'000	31 December 2016 £'000
Wages and salaries	4,422	3,441
Social security costs	406	350
Other pension costs	23	21
Termination benefits	68	32
	<u>4,919</u>	<u>3,844</u>

**9. Finance costs and finance income**

	31 December 2017 £'000	31 December 2016 £'000
Fees and commissions	(1,313)	(899)
Interest expense	(13)	(2)
Finance costs	<u>(1,326)</u>	<u>(901)</u>

	31 December 2017 £'000	31 December 2016 £'000
Deposit and withdrawal charges	673	550
Interest income	-	1
Finance income	<u>673</u>	<u>551</u>

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

**10. FX gains/(losses), net**

	31 December 2017 £'000	31 December 2016 £'000
Loss from change in foreign exchange rates	(473)	(468)
FX gains/(losses), net	<u>(473)</u>	<u>(468)</u>

**11. Income tax expense**

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Taxation outside the UK is calculated at the rates prevailing in the relevant jurisdictions (Bulgaria: 10%, Cyprus: 12.5%). The tax expense in the statement of comprehensive income for the year can be reconciled as set out below:

	31 December 2017 £'000	31 December 2016 £'000
Corporation tax	353	970
Deferred tax	<u>-</u>	<u>-</u>
	<u>353</u>	<u>970</u>
Profit before income tax expense	<u>1,276</u>	<u>7,879</u>
	(255)	(1,497)
Tax effect off:		
Adjustments for tax-exempt income	66	73
Adjustments for non-deductible expenses	(81)	(78)
Adjustments due to differences in tax rates	(87)	523
Prior year tax losses not recognised now recouped	<u>-</u>	<u>7</u>
Current tax expense	(357)	(972)
Deferred tax income:		
Origination and reversal of temporary differences	<u>4</u>	<u>2</u>
Income tax expense	<u><u>(353)</u></u>	<u><u>(970)</u></u>



**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2017**

**12. Intangible assets**

The Group's intangible assets comprise software and licenses. The carrying amounts for the reporting periods under review can be analysed as follows:

	Software	Expenses for acquisition of non- current assets	Others	Total
	£'000	£'000	£'000	£'000
<b>Gross carrying amount</b>				
Balance at 1 January 2016	373	68	11	452
Additions separately acquired	1	-	15	16
Balance at 31 December 2016	374	68	26	468
<b>Amortisation</b>				
Balance at 1 January 2016	(113)	-	(1)	(114)
Amortisation	(179)	-	(6)	(185)
Currency translation difference	(9)	-	-	(9)
Balance at 31 December 2016	(301)	-	(7)	(308)
<b>Carrying amount at 31 December 2016</b>	<b>73</b>	<b>68</b>	<b>19</b>	<b>160</b>

	Software	Expenses for acquisition of non- current assets	Others	Total
	£'000	£'000	£'000	£'000
<b>Gross carrying amount</b>				
Balance at 1 January 2017	374	68	26	468
Additions separately acquired	20	2	49	71
Disposals	-	(70)	-	(70)
Balance at 31 December 2017	394	-	75	469
<b>Amortisation</b>				
Balance at 1 January 2017	(301)	-	(7)	(308)
Amortisation	(76)	-	(25)	(101)
Currency translation difference	3	-	1	4
Balance at 31 December 2017	(374)	-	(31)	(405)
<b>Carrying amount at 31 December 2017</b>	<b>20</b>	<b>-</b>	<b>(44)</b>	<b>64</b>

All amortisation and impairment charges (or reversals if any) are included within 'Depreciation and amortisation expense'.

No intangible assets have been pledged as security for liabilities.

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2017**

**13. Plant and equipment**

Company's plant and equipment comprise IT equipment, vehicles, fixtures & fittings and equipment. The carrying amount can be analysed as follows:

	IT equipment	Equipment	Vehicles	Fixtures & Fittings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Gross carrying amount</b>					
Balance at 1 January 2016	923	6	247	497	1,673
Additions separately acquired	149	1	163	77	390
Disposals	(26)	-	-	(7)	(33)
Balance at 31 December 2016	1,046	7	410	567	2,030
<b>Accumulated depreciation</b>					
Balance at 1 January 2016	(506)	(4)	(117)	(185)	(812)
Eliminated on disposals of assets	25	-	-	1	26
Depreciation expense	(294)	-	(79)	(73)	(446)
Currency translation difference	(10)	-	(5)	(5)	(20)
Balance at 31 December 2016	(785)	(4)	(201)	(262)	(1,252)
<b>Carrying amount at 31 December 2016</b>	<b>261</b>	<b>3</b>	<b>209</b>	<b>305</b>	<b>778</b>

	IT equipment	Equipment	Vehicles	Fixtures & Fittings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Gross carrying amount</b>					
Balance at 1 January 2017	1,046	7	410	567	2,030
Additions separately acquired	268	-	588	4	860
Disposals	-	-	(23)	-	(23)
Balance at 31 December 2017	1,314	7	975	571	2,867
<b>Accumulated depreciation</b>					
Balance at 1 January 2017	(785)	(4)	(201)	(262)	(1,252)
Eliminated on disposals of assets	-	-	21	-	21
Depreciation expense	(264)	-	(121)	(93)	(478)
Currency translation difference	10	-	7	5	22
Balance at 31 December 2017	(1,039)	(4)	(294)	(350)	(1,687)
<b>Carrying amount at 31 December 2017</b>	<b>275</b>	<b>3</b>	<b>681</b>	<b>221</b>	<b>1,180</b>

All depreciation and charges are included within 'Depreciation and amortisation expense'.

As at 31 December 2017 there were no material contractual commitments related to acquisition of items of plant and equipment.

The Group has no plant and equipment pledged as security for its liabilities.

**14. Investments in associates**

Trading 212 EOOD holds a 9.68% voting and equity interest in EnduroSat AD (31 December 2016: 10% voting and equity interest in EnduroSat AD). The investment is accounted for at cost as its value as at 31 December 2017 is GBP 202,000 (31 December 2016: GBP 202,000).

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2017**

**15. Cash and cash equivalents**

	31 December 2017 £'000	31 December 2016 £'000
Cash at bank	<u>10,499</u>	<u>14,302</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 companies.

The Group has no blocked cash and cash equivalents.

The cash balances of customers net of the liabilities to the clients on the provided cash serving as collateral for transactions are as follows:

	31 December 2017 £'000	31 December 2016 £'000
Segregated client funds	<u>17,479</u>	<u>9,140</u>

**16. Trade and other receivables**

	31 December 2017 £'000	31 December 2016 £'000
<b>Non-current</b>		
Advances for the acquisition of non-current assets	<u>439</u>	<u>-</u>
<b>Current</b>		
Trade receivables	31	213
Prepayments	179	121
Receivables from guarantee deposits	108	387
Receivables from financial institutions	2,499	547
Income tax receivables	353	-
VAT receivables	<u>72</u>	<u>-</u>
	<u>3,243</u>	<u>1,268</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 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2016**

**17. Trade and other payables**

	31 December 2017 £'000	31 December 2016 £'000
Trade payables	229	1,083
Related party loans and payables	681	2
Tax payables	136	185
Other liabilities	1,174	442
	<u>2,220</u>	<u>1,712</u>

Refer to note 20 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.

**18. Equity - issued capital**

	31 December 2017 £'000	31 December 2016 £'000
Ordinary shares - fully paid of £1 each	<u>3,132</u>	<u>2,867</u>

*Ordinary shares*

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

*Capital risk management*

The Group'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 relevant regulatory bodies. The Group companies held surplus capital over the regulatory requirements throughout the year.

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

**Trading 212 UK Limited**  
**Notes to the financial statements**  
**31 December 2016**

**19. Equity - dividends**

In 2017 and prior to the change of ownership described in Note 1, Trading 212 Ltd voted to distribute dividends to its owners at the amount of £2,621,000, the equivalent of BGN 6,000,000 (2016: £2,181,000).

Following the change in ownership described in Note 1, Trading 212 Group limited voted that the owners receive dividends at the amount of £100,000 (£50,000 each). This amount is equal to £ 0.0372 per share. The gross amount of dividend has been paid.

**20. Financial instruments**

***Financial risk management objectives***

The Group is exposed, through the activities of its subsidiaries, to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group'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 Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

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

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all outputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

	31 December 2017 £'000	31 December 2016 £'000
<b>Financial assets</b>		
Derivatives at fair value	6	8
Trade and other receivables at amortised cost	1,683	613
Cash and cash equivalents at amortised cost	10,499	14,302
	<u>12,188</u>	<u>14,923</u>
<b>Financial liabilities</b>		
Trade and other payables at amortised cost	229	1,083
Related party payables at amortised cost	681	2
	<u>910</u>	<u>1,085</u>

**Trading 212 UK Limited**  
**Notes to the financial statements**  
**31 December 2016**

*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.

*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 Ltd in relation to own assets and segregated client account assets.

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

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

*Client credit risk*

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

As the CFD products offered by the group companies are margin-traded, the Group 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 2016**

**21. Related party transactions**

The Group's related parties include its owners, associates, other related parties under common control, key management personnel and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

**21.1. Transactions with owners**

	31 December 2017 £'000	31 December 2016 £'000
Dividends	2,721	2,181

**21.2. Transactions with other related parties under common control**

	31 December 2017 £'000	31 December 2016 £'000
Purchases of services from Engage Lab Ltd.	22	126
Profit under contract for trading with financial instruments with FC Ever AD	121	46
Interest expense on related party loans	(11)	-

**21.3. Related party balances at year end**

	31 December 2017 £'000	31 December 2016 £'000
Current payables from other related parties under common control	681	2

The current payables represent loans from the related parties NetCredit OOD and CreditGarant BG OOD (i.e. both non-banking financial institutions) to Avus Supercars GmbH for purchase of vehicles. Summary of the loans is presented below:

- Loan from 01.12.2017 from NetCredit amounting to EUR 150,000 with a term of 6 months and obligation to repay at maturity EUR 153,750 (i.e. EUR 3,750 interest)
- Loan from 13.12.2017 from NetCredit amounting to EUR 330,000 with a term of 1 year and obligation to repay at maturity EUR 346,500 (i.e. EUR 16,500 interest)
- Loan from 03.02.2017 from CreditGarant BG amounting to EUR 250,000 with a term of 1 year and obligation to repay at maturity EUR 267,719 (i.e. EUR 17,719 interest)

**Trading 212 UK Limited**  
**Notes to the financial statements**  
**31 December 2016**

**21. Related party transactions (continued)**

**21.4. Transactions with key management personnel**

	<b>31 December 2017 £'000</b>	<b>31 December 2016 £'000</b>
Remuneration under management contracts	422	321
Social security and pension contributions under management contracts	25	20
Director's fees	<u>11</u>	<u>11</u>
	<b>458</b>	<b>352</b>

**22. Events after the reporting period**

On 2 April 2018, Trading 212 Group Limited transferred 100% of its shareholding stake in Trading 212 CY Limited to Gobaba Ventures Limited, a private limited company registered in the United Kingdom (registration number 10909815).

On 26 June 2018, Trading 212 Limited distributed dividends to Trading 212 Group Limited at the amount of GBP 12,672,676 (the equivalent of EUR 14,316,172). On 28 June 2018, Trading 212 Group Limited paid to its owners an interim dividend at the amount of 12,672,676 (the equivalent of EUR 14,316,172).

On 7 August 2018, Trading 212 UK allotted 800,000 £1.00 ordinary shares at par consideration to the sole shareholder Trading 212 Group limited.

Other than that, 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.

**23. Authorization of the financial statements**

The consolidated financial statements for the year ended 31 December 2017 (including comparatives) were approved by the Board on 27 September 2018.



**Registered Number 10014283**

**Trading 212 Group Limited**

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

Directors	Borislav Nedialkov Nicholas Luke Saunders
Registered Number	10014283
Registered office	107 Cheapside, London United Kingdom, EC2V 6DN
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

## **Trading 212 Group Limited Strategic report**

Trading 212 Group Limited, previously Avus Capital Group Limited, was incorporated in February 2016 with the intention that it would acquire and act as the holding company for financial trading businesses. It does not conduct any commercial activities itself. As of 31<sup>st</sup> December 2017, the Group had three subsidiaries, Trading 212 UK Limited, Trading 212 EOOD and Trading 212 CY Ltd.

### **Business Review**

The Group's subsidiaries, operate a Contracts for Difference service, taking clients from all over the world. The Group's only business activity is managing its holdings as a financial service holding company.

### **Principal Risks and Uncertainties**

#### **Legal and Regulatory**

Regulatory change presents a substantial risk to the Group. The revenue of its subsidiaries derives almost exclusively from relatively niche products. Post year-end, ESMA has introduced leverage and bonus payment restrictions which will have an affect on trading volumes. In the short term, the Board believes this will reduce profitability, but in the medium to long term increased client longevity ought to make up for this reduction. The Board acknowledges that, with no subsidiaries outside the EU, it is exposed to EU regulatory change, and will consider whether this needs to be addressed in the next year.

#### **Financial Key Performance Indicators**

The net assets of the Company at the year end were £15.4 million and comprised of cash and investment in subsidiaries (Trading 212 UK Limited, Trading 212 EOOD and Trading 212 CY Ltd).

Direct expenditure for the year consisted of bank fees. £150,000 dividend income was recognized in 2017.

#### **Dividends**

£100,000 of dividends were paid to the owners of Trading 212 Group Limited in 2017.

#### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Auditors**

During the year Grant Thornton UK LLP was reappointed as the company's auditor.

Grant Thornton UK LLP have expressed their willingness to continue as auditors. Grant Thornton UK LLP will be re-appointed as Trading 212 Group Limited's auditor in accordance with the elective resolution passed by Trading 212 Group 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  
27 September 2018

**Trading 212 Group Limited**  
**Independent auditor's report to the members of Trading 212 Group Limited**  
**31 December 2017**

**Opinion**

We have audited the financial statements of Trading 212 Group Limited (the 'company') for the year ended 31 December 2017, 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 2017 and of its profit 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.

**Who we are reporting to**

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 Group Limited**  
**Independent auditor's report to the members of Trading 212 Group 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**David Pearson**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
27 September 2018.

**Trading 212 Group Limited**  
**Statement of comprehensive income**  
**For the period ended 31 December 2017**

	31 December 2017 £'000	31 December 2016 £'000
Revenue	150	-
<b>Expenses</b>		
Bank fees	-	-
Total expenses	-	-
<b>Operating profit</b>	150	-
<b>Profit before income tax expense</b>	150	-
Income tax expense	-	-
<b>Profit after income tax expense for the year attributable to the owners of Trading 212 Group Limited</b>	150	-
Other comprehensive income for the period, net of tax	-	-
<b>Total comprehensive income for the period attributable to the owners of Trading 212 Group Limited</b>	150	-



Nicholas Luke Saunders  
Director

Date of approval of the annual financial information by the Company's Board of Directors:  
27 September 2018

**Trading 212 Group Limited**  
**Statement of financial position**  
**As at 31 December 2017**

		31 December 2017	31 December 2016
<b>Assets</b>		<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>			
Investments in subsidiaries	4	15,360	1,820
Total non-current assets		<u>15,360</u>	<u>1,820</u>
<b>Current assets</b>			
Cash and cash equivalents	5	60	10
Total current assets		<u>60</u>	<u>10</u>
Total assets		<u>15,420</u>	<u>1,830</u>
<b>Liabilities</b>			
<b>Total liabilities</b>		<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>15,420</u>	<u>1,830</u>
<b>Equity</b>			
Share capital	6	3,132	510
Share premium		-	-
Other reserves		12,238	1,320
Retained profits		50	-
Total equity		<u>15,420</u>	<u>1,830</u>



Nicholas Luke Saunders  
 Director

Date of approval of the annual financial information by the Company's Board of Directors:  
 27 September 2018



**Trading 212 Group Limited**  
**Statement of changes in equity**  
**For the period ended 31 December 2017**

		Share capital £	Share premium £	Other Reserves £	Retained Earnings £	Total equity £
Balance at 1 January 2016		-	-	-	-	-
Issue of share capital	6	10	-	-	-	10
Allotment of shares against non-cash contribution of the share capital of Trading 212 UK Limited	6,7	500	-	1,320	-	1,820
Total comprehensive income for the period		-	-	-	-	-
Balance at 31 December 2016		<u>510</u>	<u>-</u>	<u>1,320</u>	<u>-</u>	<u>1,830</u>
		Share capital £	Share premium £	Other Reserves £	Retained Earnings £	Total equity £
Balance at 1 January 2017		510	-	1,320	-	1,830
Allotment of shares against non-cash contribution of the share capital of Trading 212 EOOD	6	2,181	-	10,509	-	12,690
Allotment of shares against non-cash contribution of the share capital of Trading 212 CY Limited	6,7	441	-	410	-	851
Dividends	8	-	-	-	(100)	(100)
Total comprehensive income for the period	8	-	-	-	150	150
Balance at 31 December 2017		<u>3,132</u>	<u>-</u>	<u>12,239</u>	<u>50</u>	<u>15,421</u>

**Trading 212 Group Limited**  
**Statement of cash flows**  
**For the period ended 31 December 2017**

	31 December 2017	31 December 2016
	£'000	£'000
<b>Cash flows from operating activities</b>		
Profit before income tax expense for the period	8 150	-
Adjustments for:		
Interest and other finance income/costs	(150)	-
Net cash from operating activities	<u>          </u>	<u>          </u>
<b>Cash flows from investing activities</b>		
Dividends received	8 150	-
Net cash received from investing activities	<u>150</u>	<u>          </u>
<b>Cash flows from financing activities</b>		
Issue of share capital	-	10
Dividends paid	8 (100)	-
Net cash used in financing activities	<u>(100)</u>	<u>10</u>
Net increase in cash and cash equivalents	50	10
Cash and cash equivalents at the beginning of the financial period	<u>10</u>	<u>          </u>
Cash and cash equivalents at the end of the financial period	5 <u>60</u>	<u>10</u>



Nicholas Luke Saunders  
Director

**Trading 212 Group 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 19 February 2016 as a private company limited by shares. The company operates in the United Kingdom and its principal place of business is 107 Cheapside, London, EC2U 6DN.

Its only business activity is managing its holdings as a financial service holding company.

On 12 October 2016, Trading 212 Group Limited acquired 100% of the share capital of Trading 212 UK Limited (previously Avus Capital UK Limited), a company authorised and regulated by the Financial Conduct Authority (Register number 609146).

On 1 March 2017, Trading 212 Group Limited acquired 100% of the share capital of Trading 212 EOOD (formerly Avus Capital Ltd.), a company authorised and regulated by the Financial Supervision Commission (Register number RG-03-0237).

On 30 September 2017, Trading 212 Group Limited acquired 100% of the share capital of Trading 212 CY Ltd (formerly Avus Capital CY Ltd), a private company with limited liability with registered office at 57 Kolonakiou Linopetra, 4103 Limassol Cyprus.

**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') as adopted by the European Union (EU), that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The effects of such changes on the financial report of Trading 212 Group limited have not been fully investigated.

**Going concern**

The directors intend to perform a regular review of 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 has no activity in the period ended 31 December 2016, apart from acquiring holdings in Trading 212 UK Limited. It is well capitalised and the directors are of the opinion that the company will remain a going concern for the foreseeable future.

**Basis of preparation**

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

*Historical cost convention*

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

*Critical accounting estimates*

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

**Trading 212 Group Limited**  
**Notes to the financial statements**  
**31 December 2017**

**Revenue recognition**

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.

Revenue from dividends is recognised when the shareholder's right to receive payment is established.

**Income tax**

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

**Current and non-current classification**

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

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

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

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

**Trading 212 Group Limited**  
**Notes to the financial statements**  
**31 December 2017**

**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.

**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.

**Investments in subsidiaries**

Investments in subsidiaries are stated at cost less accumulated impairment losses.

**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. 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.

*Predecessor value method applied to common control combinations*

The Management has exercised reasonable judgement to select an appropriate accounting policy for treatment of common control combinations, which provides relevant and reliable information in accordance with IAS 8.

**Trading 212 Group Limited**  
**Notes to the financial statements**  
**31 December 2017**

**4. Non-current assets – investments in subsidiaries**

	31 December 2017 £'000	31 December 2016 £'000
Investment in subsidiaries	15,360	1,820

Investment in subsidiaries include Trading 212 Group's Limited investment in Trading 212 UK Limited, Trading 212 EOOD and Trading 212 CY Ltd (see page 13 for further details).

**5. Current assets - cash and cash equivalents**

	31 December 2017 £'000	31 December 2016 £'000
Cash at bank	60	10

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 and 31 December 2016 are denominated in GBP.

**6. Equity - share capital**

	31 December 2017 £'000	31 December 2016 £'000
Ordinary shares - fully paid of £1 each	510	10
Allotment of shares against non-cash consideration	2,622	500
	<u>3,132</u>	<u>510</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.

*Allotment of share against non-cash consideration*

As of 12 October 2016, the shareholders of Trading 212 UK Limited, Borislav Nedialkov and Ivan Ashminov, contributed 100% of their holdings in Trading 212 UK Limited in the capital of Trading 212 Group Limited. The Contribution Shares represented 510,000 ordinary shares of £1.00 each. The Consideration for the contribution of the Contribution Shares was satisfied by the allotment and issue by Trading 212 Group Limited to the Shareholders (in equal proportions) 510,000 ordinary shares of £1.00 each, credited as fully paid up as of the date of the contribution.

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.

**Trading 212 Group Limited**  
**Notes to the financial statements**  
**31 December 2017**

**7. Equity - retained earnings**

	31 December 2017 £'000	31 December 2016 £'000
Retained earnings at the beginning of the financial period	-	-
Accumulated profits for the period	150	-
Accumulated profits at the end of the financial period	150	-

**8. Related party transactions**

In 2017 Trading 212 Group Limited acquired 100% of the capital of Trading 212 EOOD and Trading 212 CY Limited by means of non-cash consideration for shares.

As a result of the transaction, the ultimate controlling parties of Trading 212 Group Limited, Borislav Nedialkov and Ivan Ashminov, retained their proportionate share of holdings (50:50) in Trading 212 Group Limited (directly) and Trading 212 EOOD and Trading 212 CY Limited (indirectly, through their holdings in Trading 212 Group Limited).

In 2016 Trading 212 Group Limited acquired 100% of the capital of Trading 212 UK limited by means of non-cash consideration for shares.

As a result of the transaction, the ultimate controlling parties of Trading 212 Group Limited, Borislav Nedialkov and Ivan Ashminov, retained their proportionate share of holdings (50:50) in Trading 212 Group Limited (directly) and Trading 212 UK limited (indirectly, through their holdings in Trading 212 Group Limited).

In 2017, following the acquisition described above, Trading 212 EOOD voted that the owner, Trading 212 Group Limited receive dividends at the amount of £150,000. The gross amount of the dividend has been paid.

In 2017 Trading 212 Group Limited voted that the owners receive dividends at the amount of £100,000 (£50,000 each). The gross amount of dividend has been paid.

	31 December 2017 £'000	31 December 2016 £'000
Acquisition of Trading 212 EOOD through non-cash consideration for shares	12,689	-
Acquisition of Trading 212 CY Limited through non-cash consideration for shares	851	-
Acquisition of Trading 212 UK Limited through non-cash consideration for shares	-	1,292
Dividends received from Trading 212 EOOD	150	-
Dividends paid to the owners of Trading 212 Group Limited	(100)	-

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2017**

**8. Related party transactions (continued)**

The ultimate controlling parties of Trading 212 Group Limited are Borislav Nedialkov and Ivan Ashminov.

The management personnel remuneration during the period does not differ from the director's remuneration.

Borislav Nedialkov assumes the role of a Director and ultimate beneficial owner (with a 50% stake) in both Trading 212 Group Limited and Trading 212 UK Limited.

**9. Events after the reporting period**

On 2 April 2018, Trading 212 Group Limited transferred 100% of its shareholding stake in Trading 212 CY Limited to Gobaba Ventures Limited, a private limited company registered in the United Kingdom (registration number 10909815).

On 26 June 2018, Trading 212 Limited distributed dividends to Trading 212 Group Limited at the amount of GBP 12,672,676 (the equivalent of EUR 14,316,172). On 28 June 2018, Trading 212 Group Limited paid to its owners an interim dividend at the amount of 12,672,676 (the equivalent of EUR 14,316,172).

On 7 August 2018, Trading 212 UK allotted 800,000 £1.00 ordinary shares at par consideration to the sole shareholder Trading 212 Group limited.

Other than that, 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.