Trading 212 Group Limited

Annual report and financial statements

for the year ended 31 December 2022

Registered number: 10014283

Company Information

Directors	Borislav Nedialkov Mukid Chowdhury Ivan Ashminov Andrew Bole George Mantilas
Registered number	10014283
Registered office	107 Cheapside London EC2V 6DN
Independent auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL

Contents

Directors' report

for the year ended 31 December 2022

The directors present their report together with the Group strategic report and the consolidated financial statements of Trading 212 Group Limited ('the company') and its subsidiaries (together 'the group' or 'Trading 212' or 'T212') for the year ended 31 December 2022.

Results and dividends

The profit for the year, before taxation, amounted to £30,303k (2021: £72,939k).

The directors recommended a dividend of £nil (2021: £nil).

A divided totalling €10m was declared and paid by the company in May 2023.

Directors

The directors who served during the year were:

Borislav Nedialkov
Mukid Chowdhury (appointed 10 February 2022)
Ivan Ashminov (appointed 18 November 2022)
Andrew Bole (appointed 21 October 2022)
George Mantilas (appointed 21 October 2022)
Philip Parsons (appointed 21 October 2022)

Philip Parsons resigned as a director on 28 July 2023.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report, Group strategic report and the consolidated financial statements, in accordance with applicable law.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK.

Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period. In preparing the consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IAS as adopted by the UK, subject to any material departures disclosed and explained in the financial statements; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Directors' report (continued)
for the year ended 31 December 2022

Additional matters included in the Group strategic report

The company has chosen, in accordance with s.414C(11) of the Companies Act 2006, to set out in the Group strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' report. It has done so in respect of risk exposure, future developments, and engagement with suppliers, customers and others.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- the 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 and the Group's auditor is aware of that information.

This report was approved by the board on 28 September 2023 and signed on its behalf by:

Mukid Chowdhury
Director

Group strategic report
for the year ended 31 December 2022

Principal activity

Trading 212 Group Limited ("T212"), incorporated in February 2016, is a financial holding company that operates through its principal subsidiaries. The company started to receive a small amount of royalty income at the end of 2022.

As of 31 December 2022, the company had three principal subsidiaries (together "the group"), namely:

- Trading 212 UK Limited (registered in the United Kingdom and regulated by the Financial Conduct Authority) ("T212UK").
- Trading 212 Limited (registered in Bulgaria and regulated by the Bulgarian Financial Supervision Commission) ("T212BG").
- Trading 212 Markets Limited (registered in Cyprus and regulated by the Cyprus Securities and Exchange Commission) ("T212CY").

It has other entities in the Group but none of them are actively trading.

The group's activities (performed by the regulated entities) during the year consisted of:

1. The provision of a stockbroking platform.
2. The provision of an internet/app-based Contract for Difference ("CFD") trading service platform where two parties agree to exchange the market performance of an underlying security, currency, or other financial asset through a derivative contract.

Both products are operated through T212's trading platform to clients predominantly resident in the UK and the EU.

For the stock trading business, the company operates a zero-commission model where clients do not pay commission for trading nor suffer custody fees for the assets held. T212 earns fees from clients when they trade in a currency different to that in which their cash was deposited, and for part of 2022, through a fully collateralised stock lending programme.

In terms of CFD products, T212 manages its own risk in accordance with its trading risk management policy and limits which are based on defined and approved risk parameters on each product and asset class, hedging exposures outside of these with reputable third parties.

Strategy

While operating both a CFD and a stockbroking platform, T212's growth strategy remains focused on the stockbroking part of the business and growing the value of client money and client asset balances.

While this growth continues to be driven in part by broader market trends and activity, crucially, it is driven by the increasing popularity of T212's platform and our product offering which includes, for example, T212's zero commission pricing structure, the ability to trade in fractional amounts of shares, and the functionality within the platform to build portfolios. In addition, the ability to trade via T212's mobile app has proved to be extremely popular with the tech savvy demographic.

These features have helped open share trading to a much wider and diverse client base who may not historically have had access to the financial markets or been considered as potential customers. Trading 212's products, services and technology has facilitated and enabled a wider audience to participate in managing their own financial affairs and investment decisions that they were previously unable to do.

T212 continues to review new product ideas such that it can further contribute and support the investing public in gaining access to the wider stock markets and enabling them to take control of their financial undertakings and investment portfolios.

Group strategic report (continued)

for the year ended 31 December 2022

Strategy (continued)

As discussed in the Strategic report for the year ended 2021, a period of exceptional growth had led the T212UK Board to, voluntarily and temporarily, pause onboarding and reflect on the firm's strategy and operating model, including the current systems, capacity, and controls in place at Trading 212, to ensure that they remain appropriate for the size and scale of the growing business. That process was completed during 2022 with improvements made in each of the aforementioned areas.

Following completion of this work, onboarding of new clients commenced in August 2022, with 165,968 unique customers onboarded between 1 August 2022 and the year end.

Meanwhile, T212CY onboarded the total of 424,281 new clients during 2022.

Group financial performance

T212 revenues were £115m in 2022, which follows the incredible years of growth seen between 2019 (£30m) and 2021 (£139m). Profit after tax for 2022 was £30m in 2022 compared with £73m the previous year.

Optimising the firm's hedging model has allowed the company to significantly reduce its execution costs in 2022. These savings have been offset by increased costs, in particular on staff and marketing.

Net assets now sit at £151m, up from £116m at the end of 2021, while cash balances have increased from £115m to £129m over the same time period.

Non-financial indicators

Non-financial indicators have historically been focused on customer acquisition and customer activity. As there is no cost for a client to open an account, the number of accounts holding either cash or assets is the more useful gauge of business growth and potential. As discussed above, there was a strong performance seen in the second half of 2022 for T212 UK and all year for T212 CY.

Other positive indicators of performance during the year include the significant improvements made across the business including:

- improvements made to the company's operational resilience framework and operations;
- the maturity of the risk management framework and risk reporting capabilities; and
- embedding the changes from the new operating model throughout the business.

Principal risks and uncertainties

The principal risks to the group are as follows:

Technology
The group uses the trading platform, developed by one of its subsidiaries. This is a key differentiator from other outwardly similar competitors, the majority of which use a generic platform. The company believes that mobile trading will come to predominate and has therefore chosen a mobile led platform.

Regulatory environment and Brexit
EU based clients who T212UK is unable to serve will be offered the opportunity to move to an EU-regulated sister company as previously discussed.

Group strategic report (continued)
for the year ended 31 December 2022

Principal risks and uncertainties (continued)

Market risk
For CFD trading, T212 is exposed to market risk via the price movements of the underlying assets that clients take positions in. The company manages this market risk on a net basis as it is likely to take client positions in different directions on the same asset, and hence T212 itself is exposed to the net market position.

The group manages this risk by having a Board approved trading risk appetite policy that documents a limit for each of the markets that the group operates in. This policy is then implemented by T212's risk managers who monitor exposures against these limits intra-day, with the authority to hedge positions with third parties should the exposures approach the pre-defined limits. Performance against the limits is reported throughout the corporate governance structure in the group.

For equities trading, the main market risk arises from the maintenance of inventory, and in particular the risk that the value of the inventory falls. However, the firm incorporates this market risk into its hedging strategy and so the Board approved risk appetite limits will also incorporate the market risk on the inventory and is monitored intra-day using the same trading risk management framework and processes.

In terms of foreign currency risk on client money, as part of the daily client money reconciliation the currency balances are reviewed, and the proportions held in each currency adjusted, as necessary. The group does not hold sufficient own funds in currencies other than GBP to necessitate hedging but keeps the policy under review.

Liquidity risk
Liquidity risk arises if the group fails to meet its payments to brokers, clients, or suppliers as they fall due. Most clients are classified as retail investors and client money is therefore held in accordance with FCA rules in separate segregated client money accounts. The group voluntarily applies this protection to its small number of professional investors as they are not subject to title transfer collateral arrangements (TTCAs).

The group keeps all its own cash resources in no-notice cash accounts and closely monitors the rate of cash absorption. T212 continues to review its liquidity risk framework, recovery plan, and contingency funding plan, all of which seek to assess the amount of liquidity that should be held in the business, based on various stress scenarios. Having conducted this exercise, the group remains confident that it is adequately funded.

Credit risk
The group has exposure to its brokers, its banks, and its clients. Client defaults on CFD accounts are managed by obtaining sufficient collateral from them to cover their contractual obligations. The trading platform automatically closes client positions at a pre-determined margin level. The group recognises there remains a residual credit risk but recognises this risk as inherent in its business model.

The group conducts thorough monitoring of each of its banking and hedging counterparty's financial position and considers that they are sufficiently well resourced. Periodic due diligence is also conducted on other key counterparties throughout the year and might include reviewing credit ratings, financial statements, and any other information that may indicate financial or reputational concerns thus ensuring that both T212's and its clients' funds are suitably protected.

Internal Controls
The group is conscious that, dealing with large amounts of money, it is highly exposed to loss through error or fraud. This risk is mitigated through comprehensive and clearly documented internal procedures, particularly those covering client money and payments. This is further supplemented by second line monitoring by the risk department via the production and reporting of key risk indicators, breach and incident reporting and periodic thematic reviews. The group also has an external firm that provides a "third line of defence" internal audit service.

Group strategic report (continued)

for the year ended 31 December 2022

Streamlined Energy and Carbon Reporting (for UK entities only)

Streamlined Energy and Carbon Reporting (SECR) was introduced in 2019 as legislation to replace the Carbon Reduction Commitment (CRC) scheme. SECR requires certain companies to report on their energy consumption and associated greenhouse gas emissions within their financial reporting for Companies House. Certain companies will also need to report on any energy efficiency measures and state emissions with reference to an intensity metric.

As T212UK qualifies as a large company due to its turnover and asset value, it is required to calculate its total UK energy use which consists of electricity, gas, and transport fuel.

However, as the company uses a serviced office, it does not suffer these costs directly and so would need to estimate them. Based on the average number of staff members during the year, hybrid working, and no fuel costs being suffered, the company considers that it is a low energy user.

Future developments

T212 continues to expand the business on a global scale and as such will look to acquire licenses in new jurisdictions to achieve this goal.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to the 6 factors listed below:

1) <u>The consideration of the likely consequences of any decision in the long term</u>
   T212's objective is to provide a high-quality service to its customers and achieves this by offering a variety of financial trading products, through an innovative trading service, which results in successful client trading experiences. By achieving this, the directors ensure that T212 continues to increase shareholder value.

   The directors and senior management team throughout the T212 Group, through board meetings and the wider corporate governance structure, ensure that T212 continues to attract and retain clients via ensuring it maintains high standards of customer service, trading platform accessibility and ease of navigation, competitive dealing spreads on CFD trading and by offering zero-commission trading.

   T212 can point towards T212UK's temporary pausing of client onboarding during 2021 as an example of decisions being made with the long-term in mind. This was to ensure that the Company could future proof its operations and maintain the high-quality service expected by our existing and future clients, at a cost to the Company, rather than continuing to onboard in the short-term.

2) <u>The consideration of the interests of the group's employees</u>
   T212 and its directors recognise the significant contribution that its employees make to the continued success in delivering client satisfaction and driving shareholder value. This has especially been the case over recent years as employees have needed to perform their roles more independently and largely from home due to the COVID pandemic.

   Despite the large percentage increase in average staff numbers, absolute staff numbers during the year were relatively low and so the directors ensured that all employees were kept up to date with developments within the company through cascades to the executive management team, and then to each department.

   As the business continues to mature and headcount increases, employee updates will become more formal with updates provided on all areas of the business. This will also provide greater chances to consult with T212's employees who continue to be key in ensuring that the company's strategic goals are achieved.

   T212 UK also rolled out an updated employee benefits package that is more appropriate for the size of the business.

Group strategic report (continued)

for the year ended 31 December 2022

Section 172 statement (continued)

3) The need to foster the group's business relationships with suppliers, customers and others
   As stated earlier in the Strategic Report, the company's success is achieved by providing a high-quality service to its customers and offering a variety of financial trading products and services.

   T212's clients are attracted to the zero-commission pricing structure, the ability to trade in fractional amounts of shares, the ease of use of the platform, and the functionality within the platform to build portfolios.

   The directors, together with the senior management team and employees from across the organisation, are focussed on ensuring that the company continues to deliver these high-quality products and services to its clients (both existing and prospective). It also continues to monitor trends in the market to ensure that the company is offering services that are in client demand.

   Relationships with high-quality suppliers are also key in ensuring that T212 can provide its products and services to clients without disruption. To ensure this, the directors mandate that all suppliers are paid timely, to maintain a robust and open relationship with all its suppliers.

4) The impact of the group's operations on the community and the environment
   The directors remain committed to ensuring that the company, and its employees, operate in a manner that serves the best interest of the community in which it operates within and also the wider environment.

   Indeed, as already mentioned in this Strategic report, T212 has helped open share trading to a much wider and diverse client base who may not historically have had access to the financial markets or been considered as potential customers. Our products, services and technology has facilitated and enabled a wider audience to participate in managing their own financial affairs and investment decisions that they were previously unable to do.

   This commitment extends to ensuring that T212 always protects the interests of its clients, and this includes both the safeguarding of client money and assets as well as protecting those clients that are potentially vulnerable. The directors have access to information on vulnerable client monitoring on a periodic basis and monitor the statistics to ensure that action is taken to protect such clients.

5) The desirability of the group maintaining a reputation for high standards of business conduct
   The directors remain committed to ensuring that the company operates at the highest standards of business conduct.

   This can manifest in several ways, such as the company appointing an internal auditor to ensure that a third-party review of our control environment is maintained. While this gives assurance over the specific controls in place at T212, it also facilitates the reporting to management of market best practice that can be incorporated into business-as-usual activities.

   In respect of T212's subsidiaries, T212UK is authorised and regulated by the Financial Conduct Authority, T212BG is authorised and regulated by the Bulgarian Financial Supervision Commission, and T212CY is authorised and regulated by the Cyprus Securities and Exchange Commission. This evidences that the directors of all entities in the T212 Group are committed to ensuring that our business is conducted in accordance with the rules and requirements of the respective regulatory bodies of the markets we operate in. This ensures that T212 operates with the best outcome for clients always in mind.

   Adherence to the various Conduct Risk rules and guidance remain at the forefront of T212's objectives and operations. This is evidenced by the T212 continuing to undertake risk assessments and the production of management information to evidence compliance with the respective conduct risk policies. T212 remain committed to ensuring that is retains its client best interest in all its objectives and decision making whilst ensuring there is clear value driven "Tone From The Top".

Group strategic report (continued)
for the year ended 31 December 2022

Section 172 statement (continued)

6) The need to act fairly between members of the group
   The directors are fully committed to open engagement with its shareholders. The company is owned by the 2 co-founding shareholders and as a result, the board is more able to have regular dialogue and interaction with the shareholders than would be the case in a company with a wider spread of shareholders.

   The shareholders have access to all Board and Committee papers through a shareholder director being present on both the company and group boards.

This report was approved by the board on 28 September 2023 and signed on its behalf by:

Mukid Chowdhury
Director

Buzzacott

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

for the year ended 31 December 2022

Opinion

We have audited the financial statements of Trading 212 Group Limited ('the parent company') and its subsidiaries ('the group') for the year ended 31 December 2022 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Company statement of financial position, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Accounting Standards (IASs) as adopted by the United Kingdom (UK-adopted IASs).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IASs as adopted by the United Kingdom; 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 United Kingdom, including the Financial Reporting Council'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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Trading 212 Group Limited (continued)

for the year ended 31 December 2022

Other information

The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report and the Group strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report and the Group strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report or the Group strategic report.

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.

Buzzacott

Independent auditor's report to the members of Trading 212 Group Limited (continued)

for the year ended 31 December 2022

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations, including knowledge specific to auditing investment brokerage businesses;
- we made enquiries of management as to where they considered there was susceptibility to fraud, and their knowledge of actual, suspected and alleged fraud;
- we identified the laws and regulations that could reasonably be expected to have a material effect on the financial statements through discussions with directors and other management at the planning stage, and from our knowledge and experience of investment brokerage businesses;
- the audit team held a discussion to identify any particular areas that were considered to be susceptible to misstatement, including with respect to fraud and non-compliance with laws and regulations;
- we interacted with component auditors throughout the audit. Interactions with component auditors included, if applicable, formal written instructions, meetings and reviewing selected audit papers; and
- we focused our planned audit work on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group including the Companies Act 2006, the Financial Services and Markets Act 2000, the Bulgarian Financial Supervision Commission, the Cyprus Securities and Exchange Commission, employment legislation, and taxation legislation.

Buzzacott

Independent auditor's report to the members of Trading 212 Group Limited (continued)

for the year ended 31 December 2022

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

We assessed the extent of compliance with the laws and regulations identified above through:

- making enquiries of management;
- making enquiries of component auditors;
- inspecting legal expenditure throughout the year for any potential litigation or claims; and
- considering the internal controls in place that are designed to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- determined the susceptibility of the group to management override of controls by checking the implementation of controls and enquiring of individuals involved in the financial reporting process;
- reviewed journal entries throughout the year to identify unusual transactions, particularly in relation to expenditure;
- performed analytical procedures to identify any large, unusual or unexpected transactions and investigated any large variances from the prior period;
- reviewed accounting estimates and evaluated where judgements or decisions made by management indicated bias on the part of the group's management;
- carried out substantive testing to check the occurrence and cut-off of expenditure;
- tested the completeness and existence of revenue in Trading 212 UK Limited by comparing reports generated by the trading platform to entries in the nominal ledger;
- tested the completeness of revenue of components not audited by the group engagement team by, where applicable, ensuring component auditors tested the system which calculates the income and agreed the system reports to the nominal ledger;
- tested the completeness and existence of dividends and royalties received by the company by reviewing board meeting minutes of the subsidiaries as well as bank statements; and
- reviewed the work of component auditors in the above areas, where applicable.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error as they may involve deliberate concealment or collusion. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

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

Independent auditor's report to the members of Trading 212 Group Limited (continued)

for the year ended 31 December 2022

Use of our report

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

Buzzacott LLP

Peter Chapman (Senior statutory auditor)
for and on behalf of
Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

28 September 2023

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	6	**114,909**	138,685
Gross profit		**114,909**	138,685
Other operating income		**2,194**	4,701
Administrative expenses		**(75,553)**	(57,018)
Profit from operations		**41,550**	86,368
Finance income	11	**421**	244
Finance expense	11	**(1,402)**	(564)
Profit before tax		**40,569**	86,048
Tax expense	12	**(10,265)**	(13,109)
Profit for the year		**30,304**	72,939
Exchange gains arising on translation of foreign operations		**3,862**	(1,317)
Total comprehensive income		**34,166**	71,622

The notes on pages 24 to 53 form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2022

	Note	2022 £000	2021 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**1,997**	1,384
Intangible assets	14	**24**	37
Investments associates		**-**	215
Trade and other receivables		**33**	34
Deferred tax assets	12	**54**	99
		2,108	1,769
Current assets			
Trade and other receivables	18	**17,327**	13,360
Cash and cash equivalents	19	**129,236**	114,813
Current asset investments	20	**21,616**	34,995
		168,179	163,168
Total assets		**170,287**	164,937

Consolidated statement of financial position (continued)
as at 31 December 2022

Liabilities			
Non-current liabilities			
Loans and borrowings	22	**521**	40
Deferred tax liability	12	**23**	-
		544	40
Current liabilities			
Trade and other liabilities	21	**17,286**	47,901
Loans and borrowings	22	**795**	625
Provisions	25	**1,125**	-
		19,206	48,526
Total liabilities		**19,750**	48,566
Net assets		**150,537**	116,371
Issued capital and reserves attributable to owners of the parent			
Share capital		**3,132**	3,132
Foreign exchange reserve		**3,515**	(347)
Other reserves		**720**	720
Retained earnings		**143,170**	112,866
		150,537	116,371
TOTAL EQUITY		**150,537**	116,371

The financial statements on pages 16 to 53 were approved and authorised for issue by the board of directors on 28 September 2023 and were signed on its behalf by:

Mukid Chowdhury
Director

The notes on pages 24 to 53 form part of these financial statements.

Company statement of financial position
as at 31 December 2022

	Note	2022 £000	2021 £000
Assets			
Non-current assets			
Investments in subsidiaries		65,278	47,044
		65,278	47,044
Current assets			
Trade and other receivables		700	2,789
Cash and cash equivalents		1,793	101
		2,493	2,890
Total assets		67,771	49,934
Liabilities			
Current liabilities			
Trade and other liabilities	21	10,783	13,502
		10,783	13,502
Total liabilities		10,783	13,502
Net assets		56,988	36,432
Issued capital and reserves attributable to owners of the parent			
Share capital		3,132	3,132
Other reserves		12,239	12,238
Retained earnings		41,617	21,062
TOTAL EQUITY		56,988	36,432

The company's profit for the year was £20,555k (2021: £16,857k).

The financial statements on pages 16 to 53 were approved and authorised for issue by the board of directors on 28 September 2023 and were signed on its behalf by:

Mukid Chowdhury
Director

The notes on pages 24 to 53 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Share capital	Foreign exchange reserve	Other reserves	Retained earnings	Total attributable to equity holders of parent	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2022	3,132	(347)	720	112,867	116,372	116,372
Comprehensive income for the year						
Profit for the year	-	-	-	30,304	30,304	30,304
Other comprehensive income	-	3,862	-	-	3,862	3,862
Total comprehensive income for the year	-	3,862	-	30,304	34,166	34,166
Other movements						
At 31 December 2022	**3,132**	**3,515**	**720**	**143,171**	**150,538**	**150,538**

	Share capital	Foreign exchange reserve	Other reserves	Retained earnings	Total attributable to equity holders of parent	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2021	3,132	970	720	39,891	44,713	44,713
Comprehensive income for the year						
Profit for the year	-	-	-	72,939	72,939	72,939
Other comprehensive income	-	(1,317)	-	-	(1,317)	(1,317)
Total comprehensive income for the year	-	(1,317)	-	72,939	71,622	71,622
Other movements	-	-	-	37	37	37
Total contributions by and distributions to owners	-	-	-	37	37	37
At 31 December 2021	**3,132**	**(347)**	**720**	**112,867**	**116,372**	**116,372**

The notes on pages 24 to 53 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2022

	Share capital	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 January 2022	3,132	12,239	21,062	36,433
Comprehensive income for the year				
Profit for the year	-	-	20,555	20,555
Total comprehensive income for the year	-	-	20,555	20,555
At 31 December 2022	**3,132**	**12,239**	**41,617**	**56,988**

	Share capital	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 January 2021	3,132	12,238	4,205	19,575
Comprehensive income for the year				
Profit for the year	-	-	16,857	16,857
Total comprehensive income for the year	-	-	16,857	16,857
At 31 December 2021	**3,132**	**12,238**	**21,062**	**36,432**

The notes on pages 24 to 53 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Profit for the year		**30,304**	72,939
Adjustments for			
Depreciation of property, plant and equipment	13	**1,283**	1,099
Amortisation of intangible fixed assets	14	**47**	31
Interest and other finance income	11	**(421)**	(244)
Interest and other finance expense	11	**1,402**	564
Loss on sale of property, plant and equipment		**143**	904
Foreign exchange gain/(loss) of revaluation of assets		**(78)**	45
Foreign exchange (loss)/gain on consolidation		**3,862**	(1,280)
Interest paid		**(1,402)**	(564)
Interest received		**421**	244
Income tax expense	12	**10,265**	13,109
		45,826	86,847
Movements in working capital:			
(Increase)/decrease in trade and other receivables		**(3,921)**	15,531
Decrease/(increase) in current asset investments		**13,379**	(20,919)
(Decrease)/increase in trade and other payables		**(15,586)**	19,033
(Decrease)/increase in provisions		**1,125**	-
Net cash inflow on disposal of associate		**215**	-
Cash generated from operations		**41,038**	100,492
Income taxes paid		**(17,531)**	(9,134)
Net cash from operating activities		**23,507**	91,358
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,962)**	(1,564)
Purchases of intangible assets		**(33)**	-
Net cash used in investing activities		**(1,995)**	(1,564)

Consolidated statement of cash flows (continued)
for the year ended 31 December 2022

	2022 £000	2021 £000
Cash flows from financing activities		
Finance lease payments	**(284)**	(69)
New finance leases	**912**	86
Loan repayments	**(7,717)**	(7,210)
Loans received	**-**	7,563
Net cash (used in)/from financing activities	**(7,089)**	370
Net cash increase in cash and cash equivalents	**14,423**	90,164
Cash and cash equivalents at the beginning of year	**114,813**	24,649
Cash and cash equivalents at the end of the year	**129,236**	114,813

The notes on pages 24 to 53 form part of these financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2022

1. **General information**

Trading 212 Group Limited is a private company limited by shares and was incorporated in England and Wales with registration number 10014283. Its registered office and principal place of business is 107 Cheapside, London, EC2V 6DN.

Its primary business activity is managing its subsidiary holdings as a financial services holding group.

2. ***Accounting policies***

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standards (IASs) as adopted by the UK, IFRIC Interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IASs.

2.2 *Basis of preparation of financial statements*

The financial statements are prepared on the historical cost basis except for certain financial instruments that are measured at fair value, and the accounting policies set out below have been applied. The preparation of financial statements in conformity with IASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies (see note 4).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Notes to the consolidated financial statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.4 Common control combinations

Business combinations involving entities under common control fall outside the scope of IFRS 3. The management of Trading 212 Group Limited has used judgement 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 Limited, common control combinations are treated in accordance with the predecessor value method.

A predecessor value method

The method usually involves:

- accounting for the value of assets and liabilities of the acquired subsidiary using existing carrying values rather than fair values; and
- no recognition of goodwill.

While the predecessor value method was used to calculate the value of all subsidiaries, the acquisition of the shares in Trading 212 Limited was calculated using an amended methodology with 90% of the value based on the net asset value of that company, and the other 10% split equally between capitalised earnings and discounted future cashflows.

The group will expect to use the net asset value method for all future acquisitions albeit none are planned.

2.5 Going concern

The group manages its capital to ensure that all entities in the group remain a going concern while maximising return to shareholders. The group made a profit for the year ended 31 December 2022 and is in a net asset position. The directors are of the opinion that the group will remain a going concern for the foreseeable future.

2.6 Revenue

Revenue is recognised and measured in accordance with the contracts that each client or third party enters into with the subsidiaries and includes:

i. The consideration due to/from clients on CFD contracts that have closed and reflects the gain or loss created by the movement of the underlying asset price between the time the client opened the position and when it closed. Open CFD positions are carried at their fair market value, based on the current value of the underlying asset on which the contract is based. Gains and losses on the CFD contracts are recognised as revenue.
ii. Gains or losses on hedging transactions are also recorded as revenue and are accounted for in the same way as i) above.
iii. Where a client maintains a CFD contract position overnight, the group charges them a financing cost for doing so depending on the underlying asset class invested in. This financing interest is recorded as revenue and is accounted for on an accruals basis.
iv. FX fees are accounted for on an accruals basis at the point that the client enters into an order to buy or sell shares in another currency.
v. Stock lending income is accounted for on an accruals basis.
vi. The inventory of stock held is carried at fair market value at the balance sheet date, the fair value being the bid price. Any realised / unrealised gains and losses on the inventory is recognised as revenue.

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

Notes to the consolidated financial statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.7 Other operating income

Deposit fees result from costs that the group suffers via third party payment providers where customers deposit funds, and they are included in 'Money transmission and other bank fees' in note 7 below. To cover some of these costs, the group in turn charges costs to customers.

2.8 Leasing

The group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the group assesses whether the contract meets certain key criteria which are whether:

- the contract contains an identified asset, which is explicitly identified in the contract;
- the contract implicitly specifies an asset that is made available to the group;
- the group has the right to obtain substantially all of the economic benefits from use of any identified asset throughout the period of use, considering its rights within the defined scope of the contract; or
- the group has the right to direct the use of any identified asset throughout the period of use.

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

Measurement and recognition of leases as a lessee

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

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

At the commencement date of mandatory application of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January was 3.5%.

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

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

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

Notes to the consolidated financial statements

for the year ended 31 December 2022

2. Accounting policies (continued)

2.8 Leasing (continued)

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

2.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the consolidated financial statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.10 Current and non-current classification

Assets and liabilities are presented in the Consolidated and Company statements 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 entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting year; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting year. All other assets are classified as non-current.

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

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

2.11 Investments in subsidiaries

Investments in subsidiaries are stated at deemed cost less accumulated impairment losses, if applicable.

2.12 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation on assets under construction does not commence until construction is complete and the assets are available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives on a straight line basis. It is provided over the following periods:

Right-of-use assets	Over the lease term
Equipment	4 years
Motor vehicles	4 years
Fixtures and fittings	7 years
Computer equipment	2 or 3 years
Assets under construction	Not depreciated until ready for use

Notes to the consolidated financial statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.13 Intangible assets

(i) Intangible assets acquired externally

Intangible assets with finite useful lives that are acquired externally are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired externally are carried at cost less accumulated impairment losses.

The estimated useful lives of the externally acquired intangible assets range as follows:

Other	2 or 3 years
Software	2 or 3 years

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.

(ii) Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

The estimated useful lives of the internally generated intangible assets range as follows:

Software	2 or 3 years

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired externally.

Notes to the consolidated financial statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.14 Cash and cash equivalents

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

2.15 Segregated client funds

Prior to trading CFDs, the clients of Trading 212 UK Limited, Trading 212 Limited and Trading 212 Markets Limited deposit funds as margin. These balances are held as collateral against client positions and are unavailable to the group except insofar as when a client realises a trading loss it is taken by the group from these balances.

Trading 212 UK Limited, Trading 212 Limited and Trading 212 Markets Limited hold this money on behalf of clients in accordance with the client money rules of the UK's Financial Conduct Authority (FCA), Bulgaria's Financial Supervision Commission (FSC) and the 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 group's ability to control the monies and accordingly such amounts are not included in the Consolidated statement of financial position, except for cash that had been prudently segregated (see "Trade and other receivables" accounting policy below).

There is no interest paid on segregated client accounts.

2.16 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 include cash prudently segregated in client money accounts as, in the event of an administration and assuming no specific use of the amount segregated, it is due to the group.

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 made when there is objective evidence that the group 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.

Notes to the consolidated financial statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.18 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Open CFD positions, and inventory positions are designated as financial instruments at fair value through profit or loss. This category of instrument is initially recognised at fair value on the date the derivative contract is entered into, or the date the stock is purchased, and is subsequently re-measured at the corresponding asset's fair value. Any resulting gains or losses are recognised in net trading revenue.

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

The group's financial instruments at fair value through profit or loss comprise:

a. Holdings in listed investments - These holdings represents the group's inventory of financial investments held to facilitate client orders. The value of these assets will be determined by stock market movements; and

b. Open financial derivative positions - These CFDs and related hedges involve two parties agreeing to exchange the market performance of an underlying asset through a derivative contract between those parties.

Notes to the consolidated financial statements

for the year ended 31 December 2022

2. Accounting policies (continued)

2.18 Financial instruments (continued)

Settling financial instruments

In accordance with Trading 212 UK Limited's, Trading 212 Limited's and Trading 212 Markets Limited's client money and custody asset obligations, daily client money and asset reconciliations are performed. This ensures that, for CFD accounts, 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 or losses are simultaneously settled against the client cash in accordance with the terms of the client agreement between the clients and the group. For Invest accounts, the client money reconciliations ensure that any excess cash held in clients' trading accounts are suitably identified, segregated and protected, while the custody asset reconciliations ensure that the total balances of stocks owned by clients can be split on a client by client basis and that the total matches those held in custody with the third party custodian.

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.

2.19 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. See the fair value hierarchy in note 26.1.

2.20 Trade and other payables

These amounts represent liabilities for services provided to the group 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.

2.21 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

2.22 Adoption of new and revised standards

There are no new or amended international accounting standards or IFRIC interpretations that have been issued or will be issued that would be expected to have a material impact on the group.

Notes to the consolidated financial statements
for the year ended 31 December 2022

3. Functional and presentation currency

Functional and presentational currency

These consolidated financial statements are presented in pound sterling, which is the company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in the FX reserve.

4. Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements and are accounted for at fair value.

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.

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 Consolidated statement of financial position.

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. Please see note 2.4 in respect of the methodologies used.

Contingent assets and contingent liabilities
Management exercised judgement in estimating the outcome of contingent assets and contingent liabilities. Please see notes 28 and 29 in respect of these.

Notes to the consolidated financial statements
for the year ended 31 December 2022

5. Revenue

All of the group's revenue related to investment brokerage services. The analysis of this revenue earned by destination is as follows:

	2022 £000	2021 £000
United Kingdom	**98,739**	94,079
Bulgaria	**11,714**	43,900
Cyprus	**4,456**	706
	114,909	138,685

6. Other operating income

	2022 £000	2021 £000
Deposit fees	**2,126**	4,530
Other	**68**	171
	2,194	4,701

Notes to the consolidated financial statements

for the year ended 31 December 2022

7. Administrative expenses

	2022 £000	2021 £000
Staff costs	**19,162**	12,062
Representative expenses	**5**	268
General expenses	**5,208**	793
IT software and consumables	**1,489**	714
Printing, postage and stationary	**6**	-
Rent	**1,183**	711
Telephone and internet	**91**	505
Irrecoverable VAT	**6,518**	4,408
Audit, internal audit and other accounting services	**561**	1,283
Advertising and marketing	**13,080**	1,847
Quotes	**3,321**	2,408
Client identification	**-**	227
Money transmission and other bank fees	**10,116**	23,689
Compliance and consulting	**7,170**	8,789
Insurance	**410**	123
Foreign currency variance	**(1,334)**	(6,181)
Depreciation and amortisation	**1,530**	1,127
Bad debt expense	**1,101**	1,165
Free share promotion	**4,994**	1,790
Other	**942**	1,290
	75,553	57,018

8. Auditor's remuneration

During the year, the group obtained the following services from the group's auditor and its associates:

	2022 £000	2021 £000
Fees payable to the group's auditor for the audit of the group's financial statements	**60**	50
Fees payable to the auditor and its associates in respect of:		
Audit of the subsidiary undertakings	**65**	63
Audit-related assurance services	**45**	51
Taxation compliance services	**31**	20
All non-audit services not included above	**9**	8

Notes to the consolidated financial statements
for the year ended 31 December 2022

9. Staff costs and average number of employees

Staff costs during the year, including directors' remuneration, was as follows:

	2022 £000	2021 £000
Wages and salaries	**16,872**	10,773
National insurance	**1,895**	1,149
Defined contribution pension cost	**395**	140
	19,162	12,062

The monthly average number of persons, including the directors, employed within the group during the year was as follows:

	2022 No.	2021 No.
Directors	**6**	7
Management	**8**	9
Marketing and HR	**6**	15
IT	**111**	75
Compliance	**27**	16
Administrative	**148**	194
	306	316

10. Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	**1,740**	847
Contributions to defined contribution pension schemes	**98**	11
	1,838	858

The highest paid director received remuneration of £960,986 (2021: £796,849).

The value of the contributions paid to a defined contribution scheme in respect of the highest paid director amounted to £29,696 (2021: £5,090).

Notes to the consolidated financial statements
for the year ended 31 December 2022

11. Finance income and expense

Recognised in profit or loss

	2022 £000	2021 £000
Finance income		
Bank deposits	**351**	20
Dividend income	**69**	-
Deposit and withdrawal charges	-	224
Total finance income	**420**	244
Finance expense		
Finance expense	**482**	530
Deposit and withdrawal charges	**228**	-
Other loan interest payable	**692**	34
Total finance expense	**1,402**	564
Net finance expense recognised in profit or loss	**(982)**	(320)

Notes to the consolidated financial statements
for the year ended 31 December 2022

12. Tax expense

12.1 Income tax recognised in profit or loss

	2022 £000	2021 £000
Current tax		
Current tax on profits for the year	**10,350**	13,706
Adjustments in respect of prior years	**(53)**	(653)
Total current tax	**10,297**	13,053
Deferred tax expense		
Deferred tax charge	**(32)**	56
	10,265	13,109
Total tax expense		
Tax expense excluding tax on sale of discontinued operation and share of tax of equity accounted associates and joint ventures	**10,265**	13,109
	10,265	13,109

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2022 £000	2021 £000
Profit for the year	**30,302**	72,938
Income tax expense (including income tax on associate, joint venture and discontinued operations)	**10,265**	13,109
Profit before income taxes	**40,567**	86,047
Tax using the company's domestic tax rate of 19% (2021:19%)	**7,708**	16,349
Adjustments for non-deductible expenses	**1,231**	269
Adjustment in respect of prior years	**(53)**	(653)
Difference due to overseas tax rates	**169**	(2,538)
Deferred tax asset not recognised	**1,215**	424
Utilisation of tax losses brought forward in subsidiaries	**(5)**	(742)
Total tax expense	**10,265**	13,109

Notes to the consolidated financial statements
for the year ended 31 December 2022

12. Tax expense (continued)

12.1 Income tax recognised in profit or loss (continued)

Changes in tax rates and factors affecting the future tax charges

T212UK
At 31 December 2022, the tax rate was 19%. The rate has increased from 1 April 2023, and from this date the rate will taper from 19% for businesses with profits of less than £50,000 to 25% for businesses with profits over £250,000.

T212CY
A deferred tax asset of £1,342,631 (2021: £324,723) has not been recognised. This relates to losses within the Cypriot entity, Trading 212 Markets Ltd.

12.2 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2022	2021
	£000	£000
Deferred tax assets	**54**	99
Deferred tax liabilities	**(22)**	-
	32	99

The deferred tax asset relates to fixed asset timing differences.

Notes to the consolidated financial statements
for the year ended 31 December 2022

13. Property, plant and equipment

Group

	Right-of-use assets £000	Equipment £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Assets under construction £000	Total £000
Cost or valuation							
At 1 January 2021	276	7	735	607	2,869	864	5,358
Additions	86	29	-	6	1,443	-	1,564
Disposals	(222)	-	(40)	-	-	(864)	(1,126)
At 31 December 2021	140	36	695	613	4,312	-	5,796
Additions	810	-	-	487	658	6	1,961
Disposals	(147)	-	(214)	(2)	-	-	(363)
At 31 December 2022	**803**	**36**	**481**	**1,098**	**4,970**	**6**	**7,394**

Notes to the consolidated financial statements
for the year ended 31 December 2022

13. Property, plant and equipment (continued)

	Right-of-use assets £000	Equipment £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Assets under construction £000	Total £000
Depreciation							
At 1 January 2021	189	5	538	568	2,176	-	3,476
Charge for the year	70	4	41	20	964	-	1,099
Disposals	(222)	-	-	-	-	-	(222)
Exchange adjustments	-	-	4	2	53	-	59
At 31 December 2021	37	9	583	590	3,193	-	4,412
Charge for the year	147	10	52	22	1,050	-	1,281
Disposals	(51)	-	(169)	-	-	-	(220)
Exchange adjustments	(28)	-	15	(20)	(42)	-	(75)
At 31 December 2022	**105**	**19**	**481**	**592**	**4,201**	**-**	**5,398**
Net book value							
At 1 January 2021	87	2	197	39	693	864	1,882
At 31 December 2021	103	27	112	23	1,119	-	1,384
At 31 December 2022	698	17	-	506	769	6	1,996

Notes to the consolidated financial statements

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14. Intangible assets

Group

	Software £000	Other £000	Total £000
Cost			
At 1 January 2021	411	151	562
At 31 December 2021	411	151	562
Additions	31	2	33
At 31 December 2022	**442**	**153**	**595**

	Software £000	Other £000	Total £000
Amortisation			
At 1 January 2021	406	89	495
Charge for the year	1	29	30
At 31 December 2021	407	118	525
Charge for the year	23	22	45
Exchange adjustments	-	1	1
At 31 December 2022	**430**	**141**	**571**
Net book value			
At 1 January 2021	5	62	67
At 31 December 2021	4	33	37
At 31 December 2022	12	12	24

Notes to the consolidated financial statements
for the year ended 31 December 2022

15. Investments in subsidiaries

At 31 December 2022, the following were subsidiary undertakings of the company included in these financial statements:

Name	Registered office	Principal activity	Class of shares held	Holding
Trading 212 UK Limited	107 Cheapside, London, EC2V 6DN, United Kingdom	Investment brokerage services	Ordinary	100%
Trading 212 Limited	Lachezar Stanchev str. 3, 1756, Sofia, Bulgaria	Investment brokerage services	Ordinary	100%
Trading 212 Europe Limited	Ernst-Schnieder-Platz 1, 40212, Düsseldorf, Germany	Investment brokerage services	Ordinary	100%
Trading 212 Markets Limited	Amathountos, 5, Pirilides Building, Floor 4, 3105, Limassol, Cyprus	Investment brokerage services	Ordinary	100%
Avus Supercars GmbH	Landsberger Str. 302, 80687, München, Germany	Car rental	Ordinary	100%
Trading 212 Crypto Limited	1, Agias Fylaxeos Street, Floor 2, Office 1, 3025 Limassol, Cyprus	Crypto brokerage services	Ordinary	100%
Trading 212 Sweden AB Limited	c/o Tejme, Odentagatan 79, 113 22 Stockholm, Stockholm kommun, Stockholms län	Investment brokerage services	Ordinary	100%
Trading 212 AU PTY Limited	Level 4, 11-17 York Street, Sydney, 2000	Investment brokerage services	Ordinary	100%

While not dormant, Trading 212 Europe Limited, Trading 212 Crypto Limited, Trading 212 Sweden AB Limited, Trading 212 AU PTY Limited and Avus Supercars GmbH were not operationally active in their principal activity during the year.

Avus Supercars GmbH was an indirect subsidiary of the company, being 100% owned by Trading 212 Limited.

Company

	2022	2021
	£000	£000
Investments in subsidiary undertakings	**65,278**	47,044
	65,278	47,044

16. Associates

Trading 212 Limited no longer holds an equity or voting interest in EnduroSat AD (2021: 7.48% equity interest and 7.66% voting interest). On 13 July 2022, the investment was sold to the ultimate shareholders of T212 Group. Up to the point of sale, the investment was accounted for at cost and its carrying value as at 13 July 2022 was BGN 500k (2021: BGN 500k).

Notes to the consolidated financial statements
for the year ended 31 December 2022

17. Trade and other receivables due after 1 year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Other receivables	33	34	-	-
	33	34	-	-

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

18. Trade and other receivables

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Trade receivables	11,014	8,173	-	-
Amounts owed by group undertakings	-	-	700	2,789
Other receivables	4,785	4,164	-	-
Prepayments and accrued income	1,449	628	-	-
Tax recoverable	78	395	-	-
	17,326	13,360	700	2,789

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

19. Cash and cash equivalents

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank current accounts	105,661	109,242	1,793	101
Deposits with brokers	23,576	5,571	-	-
	129,237	114,813	1,793	101

Notes to the consolidated financial statements
for the year ended 31 December 2022

20. Current asset investments

Group

	2022 £000	2021 £000
Listed investments	**21,616**	34,995
	21,616	34,995

These listed investments are measured at fair value using Level 1 inputs (see note 26.1).

21. Trade and other payables

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Trade payables	**2,032**	2,112	**374**	13,502
Amounts owed to group undertakings	**-**	-	**10,370**	-
Amounts owed to related parties	**305**	7,745	**-**	-
Corporation tax	**142**	8,130	**15**	-
Other payables	**8,110**	1,093	**-**	-
Other tax and social security	**3,390**	3,302	**-**	-
Accruals and deferred income	**3,307**	2,810	**3,307**	-
Amounts owed to brokers	**-**	22,709	**-**	-
	17,286	47,901	**14,066**	13,502

22. Loans and borrowings

Group

	2022 £000	2021 £000
Non-current		
Lease liabilities	**521**	40
Current		
Lease liabilities	**795**	625

Notes to the consolidated financial statements
for the year ended 31 December 2022

23. Leases

Group

(i) Leases as a lessee

Lease liabilities are due as follows:

	2022 £000	2021 £000
Contractual undiscounted cash flows due		
Not later than one year	**160**	333
Between one year and five years	**521**	332
	681	665

24. Share capital

Authorised, issued and fully paid

	2022 £000	2021 £000
Shares treated as equity		
3,131,500 (2021: 3,131,500) Ordinary shares of £1 each	**3,132**	3,132
	3,132	3,132

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 FCA. the FSC and the CySEC. The group met these capital requirements throughout the year.

Capital is regarded as total equity, as recognised in the Consolidated and company statements of financial position.

In order to maintain or adjust the capital structure, the group may adjust the dividend payment to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

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

Notes to the consolidated financial statements
for the year ended 31 December 2022

25. Provisions

Group

	Provisions for liabilities £000
At 1 January 2022	23
Charged to profit or loss	1,668
Released during the year	(566)
At 31 December 2022	**1,125**
Due within one year or less	1,125
	1,125

Provisions are materially made up of 2 matters that account for circa 84% of the total provision.

The first, representing around 49% of the provision, relates to the estimated cost of remediating of one particular issue in respect of one of the firm's products following a review. This issue is expected to be resolved in late 2023.

The second, representing around 35% of the provision, relates to potential redress to clients. Some of these amounts are subject to change as the process continues. In a number of cases the Company has already rejected client claims with, in some cases, agreement by the findings of the Financial Ombudsman Service, but the client continues to seek redress. There is no fixed time period for the resolution of these matters.

Notes to the consolidated financial statements
for the year ended 31 December 2022

26. Reserves

Foreign exchange reserve

The foreign exchange reserve includes all current and prior period foreign exchange adjustments required upon consolidation.

Other reserves

The company's other reserves includes share premium accounted for under merger relief.

The group's other reserves is a statutory reserve required by Bulgarian Company Law. This comes from and has been set aside from retained earnings, and therefore includes prior periods' profits.

Retained earnings

Retained earnings includes current and prior periods' profits and losses.

27. Financial instruments - fair values and risk management

27.1 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 programme 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 risk managers ('risk managers') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the group's operating units. Risk management reports to the Board monthly. Where areas of intense stress / potential harm are identified the Board are contacted immediately.

The group uses the following hierarchy of valuation techniques for determining and disclosing the fair value of financial instruments which are measured at fair value;

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.

The only assets or liabilities that are measured at fair value through profit or loss are the current asset investments, see note 20. These are valued using Level 1 inputs. All other assets and liabilities are measured at amortised cost.

Notes to the consolidated financial statements

for the year ended 31 December 2022

27. Financial instruments - fair values and risk management (continued)

27.1 Financial risk management objectives (continued)

At 31 December 2022, the financial instruments held by the group were:

	2022	2021
	£000	£000
Financial assets		
Financial instruments at fair value	**21,616**	34,995
Trade and other receivables at amortised cost	**15,833**	12,371
Cash and cash equivalents	**129,236**	114,813
	166,685	162,179
Financial liabilities		
Trade and other payables at amortised	**10,143**	25,913
Related party payables at amortised cost	**305**	7,745
Loans and borrowings	**1,316**	665
	11,764	34,323

27.2 Foreign currency risk management

The group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		Liabilities		**Assets**
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
US dollar	**208**	20,910	**14,346**	35,215
Euro	**11,853**	10,789	**6,923**	19,159
Bulgarian lev	**39**	2,597	**266**	2,291
Canadian dollar	-	-	-	145
Swiss franc	**19**	(22)	**3,666**	3,118
Chinese yuan	-	-	-	2
Other	**77**	2	**5,126**	192
	12,196	34,276	**30,327**	60,122

Notes to the consolidated financial statements
for the year ended 31 December 2022

27. Financial instruments - fair values and risk management (continued)

27.2 Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The group is mainly exposed to the Sterling strengthened and the Sterling weakened.

The following table details the group's sensitivity to a 10% increase and decrease in the 10 against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the pound sterlingstrengthens 10% against the relevant currency. For a 10% weakening of the against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	Sterling strengthened impact		Sterling weakened impact	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Profit or loss	**(1,648)**	(2,349)	**2,014**	2,871
Equity	**(1,648)**	(2,349)	**2,014**	2,871

27.3 Interest rate risk management

The group is exposed to interest rate risk because the entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

27.4 Price risk management

Price risk is market risk, arising from extreme adverse market movements in the prices of open derivative positions taken by the group's subsidiaries, or the assets held on the balance sheet.

Trading 212 UK Limited, Trading 212 Limited and Trading 212 Markets Limited were all exposed to market risk during 2021 as part of its operating model. It was managed as follows:

Current asset investments are monitored through the setting of daily trading limits to ensure appropriate diversification of the trading book, with a single limit exposure cap of 5% exposure of the total trading book.

CFD trading - Daily retail client exposure limits have been put in place and are monitored regularly throughout the day. The group monitors the relevant markets/asset classes for signs of volatility and unusual daily trading volumes using various market data sources available and can amend these limits accordingly, or indeed choose to follow a hedging strategy by placing hedging trades with external counterparties.

Notes to the consolidated financial statements
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27. Financial instruments - fair values and risk management (continued)

27.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has a strict code of credit, and may include obtaining agency credit information, confirming references and setting appropriate credit limits. The group 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 Consolidated statement of financial position and notes to the financial statements.

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 in relation to own assets and segregated client account assets.

The group has a strict code of credit, and may include 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 group's bankers is performed and measures to diversify away financial institution credit risk are implemented. To mitigate the risk as far as possible, the group conducts intrusive analysis of its counterparty, having access to its regulatory filings, annual accounts, liquidity stress test results and ICARA document.

Client credit risk
The group operates a real-time mark-to-market trading platform with clients' profits and losses being credited/debited automatically to their accounts. Under the group'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 group's client credit risk exposure is limited by the automatic closing mechanism (margin call), imbedded in the Trading 212 platform.

27.6 Liquidity risk management

Vigilant liquidity risk management requires the group 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 group 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.

The contractual maturity for all of the company's non-derivative financial liabilities and non-derivative financial assets are within 6 months.

	Up to 6 months	6 months to 1 year	1 year to 5 years
31 December 2022	**£000**	**£000**	**£000**
Trade and other payables	17,594	-	-
Loans and borrowings	772	-	544
	18,366	-	544

Notes to the consolidated financial statements
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27.6 Liquidity risk management (continued)

The following table details the group's expected maturity for its non-derivative financial assets. The CFDs and related hedges involve two parties agreeing to exchange the market performance of an underlying asset through a derivative contract between those parties. This should not be confused with the group themselves holding on-balance-sheet listed investments. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

31 December 2022	Up to 6 months £000	6 months to 1 year £000	1 year to 5 years £000
Cash and cash equivalents	129,236	-	-
Trade and other receivables	17,327	-	33
Listed investments	21,616	-	-
	168,179	-	33

27.7 Non-financial risk management

Alongside the financial risk management discussed above, T212 also operates a comprehensive non-financial risk management framework ('NFR'). T212 utilise the three lines of defence model with all members of staff within T212, irrespective of seniority responsible for identifying, mitigating, and managing NFR within their day-to-day roles. NFR is managed by 6 key processes:

Risk and control self-assessment ('RCSA')
T212 conducts a full RCSA bi-annually. All terms are required to perform an inherent risk assessment, control evaluation and residual risk assessment on every process they perform. All high-risk items are reported to senior management for discussion and where necessary discussed in monthly committees.

Key risk indicators
A suite of circa 200 key risk indicators which have individual RAG (red, amber, green) statuses and are reviewed quarterly. Breaches of these RAGs status act as the initial warning that there are issues that need attention.

Risk appetite
The group operates a 3-tier risk appetite program across 18 key risk areas. Risk appetite is supported via the key risk indicator process and qualitative risk statements/quantitative thresholds.

Risk events
When an unexpected event occurs within T212, a full investigation is conducted by the risk team. A detailed form is utilised which identifies all issues relating to the risk event. These risk event reports are collated, analysed for themes, and reported to senor management/management committees for discussion.

Risk taxonomy
T212 has a 3-tier risk taxonomy in place. All processes/risk indicators/risk events are tied back to a specific risk category. The taxonomy forms the basis of identifying themes and appetites.

28. Contingent asset

An SDRT reclaim is in the process of being made by both T212UK and T212BG in respect of additional intermediary relief available to them on its operations. This reclaim is estimated as being circa £3m split across the entities. The directors are confident that this recovery will be made.

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29. Contingent liabilities

Since February 2021, the group has been in discussions with HMRC in relation to the applicability of tax regulations to one of the group's products which could lead to a possible financial obligation. T212UK has taken legal advice on this matter and on that basis has concluded that a future liability is not probable. As discussions continue with HMRC on the matter, the potential financial effect is not being disclosed in accordance with IAS 37, paragraph 92 as doing so might be seriously prejudicial to the ongoing discussions.

30. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

During the year, a joint controller of the group advanced funds totalling €nil (2021: €1,000k). This is equal to £nil (2021: £818k). These advances are to be repaid 1 year after the funds were received, with interest accruing at 3% per annum. No collateral was provided for the advances. These advances are included within 'Amounts owed to related parties'. During the year, interest on these advances of £173k accrued (2021: £328k).

During the year, the group made purchases of services from entities under common control totalling £107k (2021: £78k). At 31 December 2022, amounts owed to these entities totalled £nil (2021: £15k). This balance is included within Other payables.

Key management personnel

During the year, key management personnel received remuneration of £2,233k (2021: £1,291k) as well as pension contributions of £98k (2021: £7k).

31. Segregated client funds

The group operates segregated client money bank accounts and client transaction accounts. As at 31 December 2022, the total balance of these accounts was £306,685k (2021: £298,470k). As at 31 December 2022, the total value of clients' custody assets held was £2,075,783k (2021: £2,680,167k).

32. Controlling party

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

33. Events after the reporting date

A divided totalling €10m was declared and paid by the company in May 2023.