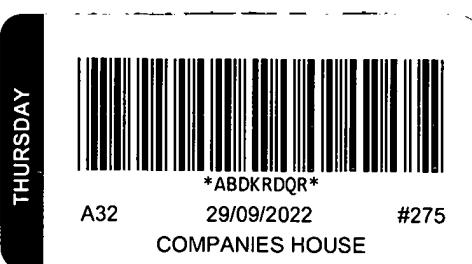


Registered number: 11942751

**Two Sigma Securities UK Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 December 2021**



Two Sigma Securities UK Limited  
Registered number: 11942751

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## Company Information

### **Directors**

Matthew Brady Siano  
Malcolm Iain Carruthers  
Remco Lenterman

### **Secretary**

Matthew Brady Siano

### **Independent Auditor**

Ernst & Young LLP  
25 Churchill Place  
London E14 5EY

### **Registered Office**

Suite 1, 3rd Floor 11-12  
St. James's Square  
London SW1Y 4LB

Two Sigma Securities UK Limited  
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## Directors' Report

The directors present their report together with the audited financial statements of Two Sigma Securities UK Limited (the "Company") for the year ended 31 December 2021.

### Future developments

The Company will continue to engage in proprietary trading.

### Dividends

The Company made no dividend payments during the period. The Company is not proposing any final dividends for 2021.

### Financial instruments

Please refer to note 3 accompanying the financial statements.

### Directors

The directors during the period under review and up to the date of this report were:

Matthew Brady Siano  
Malcolm Iain Carruthers  
Remco Lenterman

### Post balance sheet events

In recent months, the geopolitical tensions as a result of the war in Ukraine has contributed to heightened volatility in financial markets. At this point in time management does not expect the situation to have a major impact on the company's operations or strategy but will continue to monitor the risks resulting from the situation.

On 8 April 2022 the Company issued 10,000,000 ordinary shares at a par value of \$1.00 per share.

### Research and development

During the year, the Company has carried out research and development efforts focused on algorithmic trading on European markets.

### Pillar 3 Disclosure

The Company's Pillar 3 Statement is publicly available at the business address; City Tower, 40 Basinghall Street, Level 16, London, EC2V 5DE.

### Going Concern

Management has produced forecasts and considered plausible downside scenarios which have been reviewed by the directors. These demonstrate that the Company has sufficient resources to meet its obligations as they fall due for a period of 12 months from the date of signing of these financial statements. In addition, the Company's parent has committed to continue to provide financial support to the Company, as already demonstrated through capital contribution made during 2022. In making their assessment the Directors satisfied themselves that the parent company was in a position to provide such support. As such, the directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, the financial statements have been prepared using the going concern basis.

### Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each individually aware, there is no relevant information needed by the auditor in connection with the audit of the financial statements of the Company, of which the Company's auditor is unaware, and that the directors have taken all the steps that ought to be taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

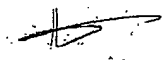
### Independent auditors

The auditor, Ernst & Young LLP, will be proposed for reappointment at the annual general meeting in accordance with section 485 of the Companies Act 2006.

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## Directors' Report (*continued*)

Signed on behalf of the Board by:

A handwritten signature in black ink, appearing to be 'Remco', with a horizontal line extending to the right.

Remco Lenterman  
Director  
26 April 2022

Two Sigma Securities UK Limited  
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## Strategic Report

The directors present their strategic report on the Company for the year ended 31 December 2021.

### Review of the business

The principal activity of the Company is proprietary trading in equities and derivative instruments. The Company is authorised and regulated by the Financial Conduct Authority (FCA). The Company is a wholly owned subsidiary of Two Sigma Securities International Holdings LLC (TSSIH).

### Financial Position

The loss of the Company for the year amounted to \$8,294,862. The operating loss was mainly attributed to start-up costs associated with the commencement of trading activities.

Under the Capital Requirement Directive IV (CRD IV) the company is required to disclose its return on assets. As at 31 December 2021, the company's total assets were \$15,794,050 (2020: \$13,277,898). For the year ended 31 December 2021, the Company's return on assets was -53% (2020: -65%).

### Principal risks and uncertainties

The risk appetite forms an integral part of the Company's risk management framework and is defined in the context within which the organisation manages risk. The risk appetite statement is forward looking and defines the level of risk the firm is prepared to absorb to achieve its business objectives. The Company focuses on strong research and engineering development efforts, accompanied by strong controls to address risk management and regulatory compliance. The Company is exposed to a variety of risks as a result of its business activities. The principal risks are market risk, credit risk, operational risk and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to price risk on the trading book and trading limits are monitored daily to ensure compliance. The Company has exposure to foreign currency risk on both the trading and non-trading book. Currency exposure is monitored daily to ensure exposure remains within the tolerance level.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The primary credit risk to the Company is the exposure to banks and other financial institutions that holds its cash or other collateral. The exposures are managed using internal credit policy which includes regular monitoring of credit ratings.

Liquidity Risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company maintains a liquidity risk framework to ensure the Company is able to meet its obligations as they fall due.

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company is subject to operational risk in its day to day trading operations. The Company has developed policies, procedures and systems designed to rigorously minimise operational risk.

Two Sigma Securities UK Limited  
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## Strategic Report (*continued*)

### STATEMENT BY THE DIRECTORS OF TWO SIGMA SECURITIES UK LIMITED IN THE PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH s172(1) COMPANIES ACT 2006

Section 172(1) of the Companies Act 2006 (the "Act") states that directors of a company must act in the way they consider, in good faith, would most likely 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 likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct;
- and
- the need to act fairly as between members of the company.

The Board collectively, and each Director individually, have acted, in the way that they consider, in good faith, most likely to promote the success of the Company for the benefit of its sole shareholder, TSSIH as a whole while having appropriate regard to the Company's various stakeholders and the other matters set out in the Act.

#### **Oversight and Engagement**

As part of their duty pursuant to the Act, the Directors have implemented an effective system of internal controls and management of the Company's affairs, which protects both the interest of TSSIH and has regard to the interests of the other stakeholders. While the Directors are involved in running the Company, it is impractical for them to opine on or approve each and every decision. Accordingly, in order to ensure good governance, the Directors have delegated certain responsibilities to senior managers within the Company.

The Directors engage with the Company's various stakeholders by ensuring they receive periodic reporting from, and regularly meet with, a variety of groups, including the Company's senior managers responsible for its primary business activities, Corporate Accounting, Legal & Regulatory ("L&R") and Risk. Additionally, the Directors strive to ensure their engagement with the Company's stakeholders remains substantial and meaningful by ensuring the composition of the Board reflects those stakeholders' interests. The Directors have identified the stakeholders listed below.

#### **The Sole Shareholder and the Group**

The Company is a wholly-owned subsidiary of TSSIH, which is a limited liability company formed under the laws of the State of Delaware, USA. The Directors have implemented a system of oversight over the operations and activities of the Company to ensure, among other things, that TSSIH is treated fairly and its interests remain appropriately prioritized, including by ensuring its activities are in compliance with applicable laws and regulations and that capital is deployed efficiently, in each case, giving due consideration to the other stakeholders.

#### **Employees**

The Directors recognise that employees are fundamental to the Company's long-term success. Consistent with this recognition, the Directors strive to foster a work environment that promotes professional development, meaningful professional opportunities and safety. The health, safety and well-being of the Company's employees is one of the primary considerations in the way the Company conducts its business, including ensuring that the Company's business continuity and disaster recovery plan remain current, and the Directors have discussed return-to-office protocols and timing in relation to the COVID-19 pandemic.

Two Sigma Securities UK Limited  
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## Strategic Report (*continued*)

### Regulators

The Directors recognize they have a duty to ensure that the Company maintains the highest standards of conduct in its regulated activities, with particular emphasis on its compliance obligations in connection with its FCA permissions. The Directors ensure they are apprised of significant developments in relation to its regulatory obligations, on a regular basis, by requiring updates from the business and the L&R professionals responsible for oversight of the Company's activities to ensure that the Company's activities are compliant with applicable FCA requirements and the legal regimes where its activities constitute regulated activities, and are apprised of significant legal and regulatory developments.

### Trading Counterparties, Trading Venues and other suppliers

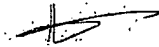
The Company has a wide range of trading counterparties, trading venues and suppliers. The Company carefully chooses and selects its trading counterparties (Prime Brokers and clearing firms), trading venues and platforms, and its suppliers and is committed to foster the strongest possible relationships with them. The Company reviews its relationships with its trading counterparties and its suppliers, and the Directors are apprised of material updates and changes as it relates to those relationships.

### Key Decisions

The Directors have identified the following key decisions.

Throughout the COVID-19 pandemic, the Directors closely monitored and actively discussed developments in the disease's progression through the local community, government restrictions, as well as the impact of the disease on the Company's operations and employee's wellbeing. The Directors also remained involved in the Company's work-from-home and return-to-office policies and procedures, keeping the health, safety and mental well-being of the Company's employees front of mind in order to ensure the Company's policies remained appropriately aligned with the UK Government guidance.

Signed on behalf of the Board by:



Remco Lenterman  
Director  
26 April 2022



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## Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

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

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

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

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## Independent Auditor's Report

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TWO SIGMA SECURITIES UK LIMITED

#### Opinion

We have audited the financial statements of Two Sigma Securities UK Limited (the 'Company') for the year ended 31 December 2021 which comprise the Income Statement, Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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.

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 Company's ability to continue as a going concern for a period of 12 months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

#### 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 this 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

Two Sigma Securities UK Limited  
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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 the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' 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 or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

#### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, including FRS 102 and the Companies Act 2006.
- We understood how the Company is complying with those frameworks through inquiries of Management and those charged with governance and obtaining an understanding of the entity level controls in place, including a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, through inquiries of Management and those charged with governance, performing walkthroughs of significant classes of transactions to obtain an understanding of the key controls in place by Management, and through our risk assessment procedures performed throughout the audit. As part of our risk assessment procedures, we considered the risk of management override of controls. We identified a fraud risk with respect to recognition of expenses over period end and performed incremental audit procedures in response to this identified risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved the review of meeting minutes, management accounts, and the financial statements to test compliance with the reporting requirements of the Company.

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

#### Use of our report

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

Ernst & Young LLP

Bansi Haria (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
26 April 2022

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## Income Statement

For the year ended 31 December 2021

	Note	2021 \$	2020 \$
Income from trading		281,350	33,692
Fee and commission expense		<u>(287,461)</u>	<u>(36,533)</u>
<b>Net Revenue</b>		<b>(6,111)</b>	<b>(2,841)</b>
Administrative expenses		(9,236,876)	(9,865,337)
Other income	13	956,033	1,285,923
Net finance cost		<u>(7,909)</u>	<u>(87)</u>
<b>Loss on ordinary activities before taxation</b>	4	<b>(8,294,862)</b>	<b>(8,582,342)</b>
Tax on loss	7	-	-
<b>Loss for the financial year</b>		<b><u>(8,294,862)</u></b>	<b><u>(8,582,342)</u></b>

The Company has no other comprehensive income other than shown above and accordingly no Statement of Other Comprehensive Income has been prepared.

*The accompanying notes form an integral part of these financial statements.*

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## Statement of Financial Position

As at 31 December 2021

	Note	2021 \$	2020 \$
<b>Non-current assets</b>			
Tangible assets	8	<u>228,054</u>	<u>323,037</u>
		228,054	323,037
<b>Current assets</b>			
Cash at bank and in hand		13,042,368	10,432,838
Financial assets at fair value through profit or loss		7,555	-
Debtors	9	<u>2,516,073</u>	<u>2,522,023</u>
		15,565,996	12,954,861
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss		-	(182)
Creditors: amounts falling due within one year	10	<u>(1,791,469)</u>	<u>(1,635,095)</u>
		(1,791,469)	(1,635,277)
<b>Net current assets</b>		<u>13,774,527</u>	<u>11,319,584</u>
Creditors: amounts falling due after more than one year	10	(1,030,263)	(375,439)
<b>Net assets</b>		<u>12,972,318</u>	<u>11,267,182</u>
<b>Capital and reserves</b>			
Called-up share capital	12	30,000,000	20,000,001
Profit and loss account		<u>(17,027,682)</u>	<u>(8,732,819)</u>
<b>Shareholder's funds</b>		<u>12,972,318</u>	<u>11,267,182</u>

These financial statements were approved by the Board of Directors on 26 April 2022 and were signed on its behalf by:



Remco Lenterman  
Director  
26 April 2022

*The accompanying notes form an integral part of these financial statements.*

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## Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital \$	Profit and loss account \$	Total shareholder's funds \$
Loss for the period	-	(8,582,342)	(8,582,342)
Called up Share Capital	20,000,000	-	20,000,000
At 31 December 2020	20,000,001	(8,732,819)	11,267,182
Loss for the period	-	(8,294,862)	(8,294,862)
Called up Share Capital	9,999,999	-	9,999,999
At 31 December 2021	30,000,000	(17,027,682)	12,972,318

*The accompanying notes form an integral part of these financial statements.*

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## Statement of Cash Flows

	2021 \$	2020 \$
<b>Reconciliation of operating (loss)/profit to net cash inflow from operating activities</b>		
Loss for the financial year	(8,294,862)	(8,582,342)
Increase in debtors	(1,605)	(2,522,022)
Increase in creditors	811,015	1,860,239
Depreciation of tangible fixed assets	94,983	67,099
Interest received	(2,693)	(477)
Interest paid	10,602	564
Net cash outflow from operating activities	<u>(7,382,560)</u>	<u>(9,176,939)</u>
<b>Investing activities</b>		
Purchase of tangible fixed assets	-	(390,136)
Interest received	2,693	477
Net cash outflow from investing activities	<u>2,693</u>	<u>(389,659)</u>
<b>Financing activities</b>		
Interest paid	(10,602)	(564)
Issue of share capital	9,999,999	20,000,000
Net cash inflow from financing activities	<u>9,989,397</u>	<u>19,999,436</u>
Net increase in cash and cash equivalents	2,609,530	10,432,838
Cash and cash equivalents at 1 January	<u>10,432,838</u>	<u>-</u>
Cash and cash equivalents 31 December	<u>13,042,368</u>	<u>10,432,838</u>

*The accompanying notes form an integral part of these financial statements.*



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## Notes to the Financial Statements

### 1. General Information

Two Sigma Securities UK Limited is a private company limited by shares registered and domiciled in England. The registered office of the Company is Suite 1, 3rd Floor 11-12 St. James's Square, London, United Kingdom, SW1Y 4LB.

### 2. Accounting policies

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

#### **Basis of preparation**

The financial statements have been prepared on the going concern basis under the historical cost convention. The financial statements have been prepared in compliance with United Kingdom Accounting Standard, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS102") and the Companies Act 2006.

#### **Going Concern**

Management has produced forecasts and considered plausible downside scenarios which have been reviewed by the directors. These demonstrate that the Company has sufficient resources to meet its obligations as they fall due for a period of 12 months from the date of signing of these financial statements. In addition, the Company's parent has committed to continue to provide financial support to the Company, as already demonstrated through capital contribution made during 2022. In making their assessment the Directors satisfied themselves that the parent company was in a position to provide such support. As such, the directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, the financial statements have been prepared using the going concern basis.

#### **Foreign currencies**

The functional and presentational currency of the Company is United States Dollars (USD).

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date. All gains/ losses related to foreign exchange transactions are recognised in the Income Statement.

At 31 December 2021, the applicable exchange was USD 1.35355 to Pound Sterling.

#### **Judgements and key sources of estimation uncertainty**

In applying the Company's accounting policies, management may be required to make judgements and estimates that could impact the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. The directors do not consider there to be any significant accounting judgements and estimates made during the period.

#### **Creditors**

Creditors are measured at the transaction price, which equates to the amount expected to be paid by the Company to settle the obligation.

#### **Debtors**

Short term debtors are measured at transaction price, which equates to the amount expected to be received by the Company on settlement, less any impairment.

#### **Current tax**

The tax expense represents the sum of tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Tax relating to items charged or credited directly to equity is also dealt with in equity.

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**Administrative expenses**

Expenses incurred have been recognised on an accruals basis.

**Tangible fixed assets**

Tangible fixed assets are recognised initially at cost, being the asset's purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Subsequent to initial recognition, assets are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Any gains or losses are recognised in the Income Statement.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost (based on prices prevailing at the date of acquisition) of each asset evenly over its expected useful life, as follows:

Computer equipment      –      over 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment is recognised in the Income Statement.

**Operating lease**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

**Deferred compensation**

Deferred compensation payable to employees includes the amounts originally deferred and accumulated earnings thereon. The deferred amount earns a rate of return derived from the reference fund which is managed by affiliate entity. Employees are entitled to receive any vested deferred compensation in full within one year following their resignation from the Company. As a result, the Company has an obligation to make the deferred payment that is not dependent on the individual's continued employment with the Company. Therefore, deferrals are expensed in full in the year of award and earnings thereon are expensed in the year incurred, with a creditor created for the total amount due.

**Performance Grants**

The Company issues discretionary Performance Grants ("PGs") to eligible employees. PGs vest on a straight-line basis over a 3 year measurement period, during which PGs earn a return based upon divisional performance factors. Divisional performance factors measure the performance of each business division where such employees are employed and its calculation is approved by the applicable divisional measurement committee. PGs and related earnings or losses thereon are expensed over their vesting period, net of forfeitures.

**Pension costs**

Employer contributions are made to a money purchase pension scheme on behalf of employees of the Company. These contributions are charged to the Income Statement on an accruals basis in the period in which they become payable.

**Financial instruments**

The Company has elected to apply the recognition and measurement provision International Accounting Standard 39 and the disclosure requirements of Section 11 and 12 of FRS102.

The Company recognises the financial asset or liability when the Company becomes a party to the contractual provision of the instrument.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the income statement. All changes in the fair value are recognized through the income statement.

Financial instruments are accounted for on trade date basis and fair valued through income statement. In accordance with FRS102 the Company is required to disclose its financial instruments in line with in line with the three level fair value hierarchy:

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#### *Basis of Fair Value Measurement*

**Level 1:** The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly

**Level 3:** Inputs are unobservable (ie for which market data is unavailable) for the asset or liability

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### **3. Financial risk management**

#### *Fair value of financial instruments*

##### **Assets as 31 December 2021**

	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets at fair value	-	7,555	-

##### **Liabilities as 31 December 2021**

	Level 1	Level 2	Level 3
	\$	\$	\$
Financial liabilities at fair value	-	-	-

##### **Assets as 31 December 2020**

	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets at fair value	-	-	-

##### **Liabilities as 31 December 2020**

	Level 1	Level 2	Level 3
	\$	\$	\$
Financial liabilities at fair value	-	182	-

#### *Foreign Currency Risk*

The Company has exposure to foreign currency risk as part of its normal business activities. The Company is most exposed to currency risk in GBP and Euro. A 10% increase in USD exchange rate against GBP and Euro will increase profit before tax with \$5,701. The Company monitors its FX exposure on a daily basis and aims to hold USD whenever possible.

#### *Credit Risk*

The Company is exposed to loss from counterparty failure as counterparties may default on its contractual obligations to the Company. The bank and other financial institution. In addition the Company has exposure with its affiliate entities.

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As at 31 December 2021 the Company had the following counterparty exposures:

Credit Ratings	Exposure (\$)
BBB/BBB+	14,050,103
Unrated	1,515,892

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

#### *Capital Management*

The Company is authorised by the FCA and it must maintain adequate regulatory capital as defined by the regulator. As at 31 December 2021, the total shareholders' equity was \$12,972,318. The Company met its regulatory obligations and complied with the FCA's capital requirements for the year ended 31 December 2021.

#### **4. Operating loss**

Operating loss is stated after charging:

	2021	2020
	\$	\$
Depreciation	94,983	67,099
Net loss/(gain) on foreign currency translation	41,317	(45,227)
Auditor's remuneration – Audit services	101,567	93,330

#### **5. Staff cost**

	2021	2020
	\$	\$
Wages and salaries	3,488,552	3,012,987
Social security costs	470,655	390,436
Pension costs	50,783	45,861
	<u>4,009,990</u>	<u>3,449,284</u>

The average monthly number of employees of the Company during the year was made up as follows:

	2021	2020
	No.	No.
Corporate/Support	4	3
Trading	<u>2</u>	<u>2</u>
	<u>6</u>	<u>5</u>

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## 6. Directors' emoluments

The total amount of remuneration payable by the Company in respect of the Company's directors is as follows:

	2021	2020
	\$	\$
Aggregate emoluments	449,535	395,187
Company contributions to money purchase pension schemes	1,950	5,864
Emoluments in respect of highest paid director	449,535	395,187
Accrued pension benefit during the year of highest paid directors	1,950	5,864

The number of directors who are accruing benefits under the Company's pension scheme is 1 in 2021 (2020: 1).

## 7. Tax

	2021	2020
	\$	\$
<b>Current tax</b>		
United Kingdom Corporation tax at 19% (2020: 19%)	-	-
<b>Total current tax</b>	-	-

The effective tax rate (0%) is lower than the standard effective rate of corporation taxes in the UK 19%.

	2021	2020
	\$	\$
<b>Loss before taxation</b>	(8,294,862)	(8,582,342)
United Kingdom Corporation tax at 19%	(1,576,024)	(1,630,645)
Expenses not deductible	-	4
Deferred tax asset not recognised	1,576,024	1,630,641
<b>Tax charge for the period</b>	-	-

On 11 March 2020, it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020.

It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021.

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#### 8. Tangible fixed assets

	Computer equipment \$	Total \$
<b>Cost:</b>		
At 1 January 2021	390,136	390,136
Purchase of tangible fixed assets	-	-
Disposal of tangible fixed assets	-	-
At 31 December 2021	<u>390,136</u>	<u>390,136</u>
<b>Depreciation:</b>		
At 1 January 2021	(67,099)	(67,099)
Charge for the year	(94,983)	(94,983)
Disposal of tangible fixed assets	-	-
At 31 December 2021	<u>(162,082)</u>	<u>(162,082)</u>
<b>Net book value</b>		
At 31 December 2020	<u>323,037</u>	<u>323,037</u>
At 31 December 2021	<u>228,054</u>	<u>228,054</u>

#### 9. Debtors

	2021 \$	2020 \$
Trade Debtors	999,997	999,997
Amounts owed by related party (see note 13)	132,217	129,567
Prepayments	1,173,994	1,066,452
Other Debtors	209,865	326,007
	<u>2,516,073</u>	<u>2,522,023</u>

#### 10. Creditors

	2021 \$	2020 \$
<b>Amounts falling due within one year</b>		
Accruals and deferred income	1,302,000	1,211,670
Amounts owed to related party (see note 13)	489,469	423,425
	<u>1,791,469</u>	<u>1,635,095</u>
<b>Amounts falling due after one year</b>		
Deferred Compensation	1,030,263	375,439
	<u>1,030,263</u>	<u>375,439</u>

The deferred compensation amount includes employer's National Insurance at a rate of 13.8%, \$124,935 in total.

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### 11. Operating Lease Commitment

Minimum lease payments under non-cancellable operating leases in the name of the Company fall due as follows:

	2021 \$	2020 \$
Within one year	364,614	368,184

Agreement shall be automatically renewed (without further action by the parties) for one-year terms as of the beginning of each calendar year thereafter.

### 12. Issued Share Capital

<i>Allotted and called up</i>			
	2020 No.	Unpaid 2020 \$	Paid 2020 \$
Ordinary shares \$1.00 each	20,000,001	1	20,000,000

<i>Allotted and called up</i>			
	2021 No.	Unpaid 2021 \$	Paid 2021 \$
Ordinary shares \$1.00 each	30,000,000	-	30,000,000

As of 31 December 2021, the Company had 30,000,000 issued shares, at a par value of \$1.00 per share.

### 13. Related party transactions

The Company maintains an expense sharing agreement with Two Sigma Securities, LLC ("TSS"). The Company received income of \$956,033 (2020: \$1,285,923) for services provided to TSS during the year. At 31 December 2021, the Company had a balance receivable from TSS of \$121,558 (2020: \$129,566).

The Company incurred a fee of \$3,107,733 (2020: \$4,063,152) for services provided to the Company by Two Sigma Investment, LP ("TSI") in relation to an expense sharing agreement during the year. At 31 December 2021, the Company had a balance payable to TSI of \$453,008 (2020: \$361,239) for services provided by TSI during the year.

Under the terms of the space sharing license agreement, the Company rents certain space from Two Sigma International Limited ("TSIL") for which it pays a fixed monthly fee. For the year ended 31 December 2021, the total fee incurred was \$444,727 (2020: \$344,341). At 31 December 2021, the Company had a balance payable to TSIL of \$36,462 (2020: \$51,121) in respect of the service. The Company also holds a deposit, \$145,035 (£107,152), with TSIL in relation to the agreement.

The Company also had a net recharge to its immediate parent Two Sigma Securities International Holdings, LLC \$10,660 (2020: \$347,160 payable) for operating expenses. At 31 December 2021, the Company had a balance receivable of \$10,660 (2020: \$11,064 payable) in respect of the charges.

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**14. Ultimate parent undertaking and controlling party**

Two Sigma Securities International Holdings LLC, a limited liability company formed under the laws of the State of Delaware, USA, is the immediate parent undertaking of the Company, and Two Sigma Management, LLC, a company formed in the state of Delaware, USA, is the ultimate controlling party of the Company.

**15. Post balance sheet events**

In recent months, the geopolitical tensions as a result of the war in Ukraine has contributed to heightened volatility in financial markets. At this point in time management does not expect the situation to have a major impact on the company's operations or strategy but will continue to monitor the risks resulting from the situation.

On 8 April 2022 the Company issued 10,000,000 ordinary shares at a par value of \$1.00 per share. There were no further subsequent events that require disclosure.