Jump Trading International Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended

31 December 2014

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COMPANIES HOUSE

Company Registration No. 05976015

Jump Trading International Limited
DIRECTORS AND ADVISERS

DIRECTORS

Carey Harrold
Matthew Schrecengost
Peter Deaner
Adam Long

SECRETARY

Certagent Limited
10 Chiswell Street
London
EC1Y 4UQ

REGISTERED OFFICE

11th Floor
One, London Wall
London
EC2Y 5EA

FCA NUMBER

464314

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Jump Trading International Limited
DIRECTORS' REPORT

The directors submit their report and the financial statements of Jump Trading International Limited for the year ended 31 December 2014.

RESULTS FOR THE YEAR AND DIVIDENDS

The profit for the year after taxation was $24,837,817 (2013: $6,032,587). No dividends are recommended (2013: $Nil).

GOING CONCERN

In light of the profit made in the year and after reviewing forecasts for the period to March 2016, the directors are satisfied that the business continues to be a going concern.

DIRECTORS

The following directors have held office since 1 January 2014:

Carey Harrold
Matthew Schrecengost
Adam Long
Peter Deaner

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

By order of the board

Carey Harrold

Carey Harrold
Director

Date: March 28, 2015

PRINCIPAL ACTIVITY

The principal activity of the company during the year was proprietary trading. The company is authorised and regulated by the Financial Conduct Authority.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company has produced strong profits from its derivative and cash equities trading activities. The company continues to make a significant investment in its personnel to ensure the continued growth of the business. The company is expected to continue to trade profitably.

KEY PERFORMANCE INDICATORS

Jump Trading International Limited manages its KPIs at Jump Trading Holdings LLC, its parent company, level. The key performance indicator of the company is profit before tax.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks affecting the company are considered to relate to fluctuations in the financial markets in which the company trades.

The Company uses Jump Operations, LLC's real time risk management system. The system allows the company to set limits on a trader by trader basis. The system has the ability to set limits on the number of contracts bought or sold, maximum open position limit and maximum real time loss.

Further information is provided in note 18 to the financial statements.

PILLAR 3 DISCLOSURES

Information about our capital adequacy and risk assessment and control processes, together with financial risk management objectives, policies, exposure and remuneration is available from our registered office (11th Floor, One London Wall, London, EC2Y 5EA).

FINANCIAL RISK

Details of the Financial Risk Management objectives of the company are shown in note 18 to the financial statements.

By order of the board

Carey Harrold

Carey Harrold
Director

Date: March 28, 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

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

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUMP TRADING INTERNATIONAL LIMITED

We have audited the financial statements on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Baker Tilly UK Audit LLP

MALCOLM PIROUET (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date: 30 March 2015

Jump Trading International Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2014

	Notes	2014 $	2013 $
TURNOVER	*1*	97,108,150	14,168,997
Operating expenses	*2*	(70,007,722)	(6,358,465)
OPERATING PROFIT	*2*	27,100,428	7,810,532
Interest receivable		33,043	49,511
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		27,133,471	7,860,043
TAXATION	*4*	(2,295,654)	(1,827,456)
PROFIT FOR THE FINANCIAL YEAR	*12*	24,837,817	6,032,587

The profit for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Jump Trading International Limited

BALANCE SHEET

31 December 2014 Company Registration No: 05976015

	Notes	2014	2013
		$	$
FIXED ASSETS			
Tangible assets	5	7,766,063	8,760,396
CURRENT ASSETS			
Debtors	6	33,035,236	21,725,243
Current asset investments	7	25,672,685	22,826,376
Cash at bank and in hand		23,958,812	1,913,118
		82,666,733	46,464,737
CREDITORS: Amounts falling due within one year	8	(29,317,420)	(18,906,103)
NET CURRENT ASSETS		53,349,313	27,558,634
TOTAL ASSETS LESS CURRENT LIABILITIES		61,115,376	36,319,030
CREDITORS: Amounts falling due after more than one year	9	(901,801)	(958,797)
PROVISION FOR LIABILITIES	10	(15,525)	-
NET ASSETS		60,198,050	35,360,233
CAPITAL AND RESERVES			
Called up share capital	11	24,869,026	24,869,026
Profit and loss account	12	35,329,024	10,491,207
SHAREHOLDERS' FUNDS	13	60,198,050	35,360,233

The financial statements on pages 6 to 21 were approved and authorised for issue by the board of directors on March 28, 2015 and are signed on its behalf by:

Carey Harrold

Carey Harrold
Director

Jump Trading International Limited
CASH FLOW STATEMENT
for the year ended 31 December 2014

	Notes	2014 $	2013 $
Cash flow from operating activities	*14a*	48,013,127	6,029,868
Returns on investments and servicing of finance	*14b*	33,043	49,511
Taxation	*14b*	(1,348,364)	(720,232)
Capital expenditure and financial investment	*14b*	(492,408)	(5,451,984)
Management of liquid resources	*14b*	(24,159,704)	(14,543,646)
Financing	*14b*	-	15,000,000
INCREASE IN CASH AT BANK AND IN HAND	*14c*	22,045,694	363,517

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2014 $	2013 $
Increase in cash at bank and in hand	22,045,694	363,517
Increase/(decrease) in cash held by broker	21,313,395	(7,501,428)
Increase in current asset investments	2,846,309	22,045,074
MOVEMENT IN NET FUNDS IN YEAR	46,205,398	14,907,163
NET FUNDS AT 1 JANUARY	26,595,690	11,688,527
NET FUNDS AT 31 DECEMBER	72,801,088	26,595,690

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

The functional currency of the company is United States Dollars and the accounts have been prepared in this currency. At the year end, the sterling exchange rate to the Dollar was £1 to $1.5579 (2013: £1 to $1.6557).

GOING CONCERN

The directors have prepared forecasts for the business and on the basis of the expected results and given the liquid resources that the company has available to it, the directors believe the company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

TURNOVER

Revenue is stated net of Value Added Tax and broker commissions and includes the profits from proprietary trading of a range of financial products across multiple markets. Profits are recognised on the trade date.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Profit and Loss Account.

OTHER OPERATING INCOME

Other operating income represents income from the recharging of expenses to other group companies.

FINANCIAL INSTRUMENTS

The company has adopted Financial Reporting Standard 26, "Financial Instruments: Recognition and Measurement" and, in consequence, Financial Reporting Standards 23 and 29 also apply.

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL) and "loans and receivables". The company does not hold any "held to maturity" investments or "available for sale" financial assets.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the profit and loss account. The net gain or loss recognised in the profit and loss account incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate method, except for short term receivables when the recognition of interest would be immaterial.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. In such instances, impaired financial assets are stated at their net recoverable amount.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises and collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL", "at amortised cost" or "other financial liabilities". The company had no financial liabilities at FVTPL or other financial liabilities at 31 December 2014.

Financial liabilities at amortised cost

Financial liabilities are classified as at amortised cost if they have fixed or determinable repayments that are not quoted in an active market. Financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised by applying the effective interest rate method, except for short term payables when the recognition of interest would be immaterial.

TANGIBLE FIXED ASSETS

Tangible fixed assets are held at cost less accumulated depreciation.

Depreciation is provided on tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Office furniture		7 years
Office equipment		5 years
Computer equipment	- software	3 years
	- hardware	3 years
Short leasehold premium and improvements		over the remaining period of the lease
Works of art		Nil

Works of art not depreciated as, in the opinion of the directors, they are unlikely to reduce in value in the foreseeable future.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

LIQUID RESOURCES

Liquid resources are defined as current asset investments held as readily disposable stores of value. Cash held at broker is considered to be liquid resources as there are no restrictions on the company accessing the funds.

OPERATING LEASES

The rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

RETIREMENT BENEFITS

The company operates defined contribution pension arrangements for directors and employees. The arrangements do not provide defined benefits and the company has no obligation to meet any unfunded liabilities. Contributions are charged to the Profit and Loss Account as incurred.

1 TURNOVER

The turnover and profit before taxation are attributable to the principal activity of the company.

The company has not presented a geographical analysis of turnover, as it is considered seriously prejudicial to the interests of the company.

2 OPERATING PROFIT

	2014	2013
	$	$
Operating profit has been arrived at after charging:		
Auditor's remuneration for audit services	36,958	33,867
Auditor's remuneration for non-audit services	37,103	17,407
Foreign exchange loss	339,235	295,240
Depreciation of tangible fixed assets	1,486,741	1,299,883
Operating lease rentals – land and buildings	1,091,779	1,071,779

Auditor's remuneration for non-audit services includes $12,175 (2013: $7,526) for tax compliance services, $4,478 (2013: $3,477) for tax advisory and $20,450 (2013: $6,404) for other services.

	2014	2013
	$	$
Operating expenses comprise:		
Total expenses	109,770,921	49,774,810
Other operating income	(39,763,199)	(43,416,345)
	70,007,722	6,358,465

3 EMPLOYEES

The average number of employees during the year (excluding directors) was 47 (2013: 32). Three directors received remuneration in the year (2013: 3).

Staff costs (including directors' remuneration) consist of:	2014	2013
	$	$
Wages and salaries	56,043,438	30,775,162
Social security costs	4,968,148	1,453,741
Pension contributions	321,887	166,296
	61,333,473	32,395,199

	2014	2013
	$	$
Directors' remuneration for management services	1,454,933	1,272,672
Pension contributions	14,336	15,813
	1,469,269	1,288,485

The highest paid director received $1,060,276 (2013: $531,166), including pension contributions of $12,051 (2013: $3,938).

Three directors (2013: three) accrued benefits during the year under defined contribution pension arrangements.

There were no pension contributions outstanding at the year end (2013: $Nil).

4 TAXATION

	2014	2013
	$	$
Current tax:		
UK corporation tax charge on profits of the year	2,200,693	1,841,011
(Over)/under provision in previous year	7,468	(13,555)
	2,208,161	1,827,456
Deferred tax (note 10)	87,493	-
Total charge on profit on ordinary activities	2,295,654	1,827,456

	2014	2013
Factors affecting the corporation tax charge for the year:	$	$
Profit on ordinary activities before tax	27,133,471	7,860,043
Profit on ordinary activities at the standard rate of corporation tax in the UK applying to the year of 21.5% (2013: 23.25%)	5,833,696	1,827,460
Effect of:		
Expenses not deductible for tax purposes	7,454	67,314
Difference between depreciation and capital allowances	(18,742)	(53,763)
Foreign exchange differences	(66,934)	-
Branch exemption	(3,554,781)	-
Under/(over) provision in previous year	7,468	(13,555)
Current tax charge for the year	2,208,161	1,827,456

5 TANGIBLE FIXED ASSETS

	Short leasehold premium and improvements	Office furniture and equipment	Computer equipment	Works of art	Total
	$	$	$	$	$
COST					
At 1 January 2014	8,005,702	808,828	1,752,674	-	10,567,204
Additions	-	91,801	289,962	110,645	492,408
At 31 December 2014	8,005,702	900,629	2,042,636	110,645	11,059,612
DEPRECIATION					
At 1 January 2014	747,297	124,742	934,769	-	1,806,808
Charged in the year	811,177	132,053	543,511	-	1,486,741
At 31 December 2014	1,558,474	256,795	1,478,280	-	3,293,549
NET BOOK VALUE					
At 31 December 2014	6,447,228	643,834	564,356	110,645	7,766,063
At 31 December 2013	7,258,405	684,086	817,905	-	8,760,396

6 DEBTORS

	2014	2013
	$	$
Cash held with broker	23,169,591	1,856,196
Amounts owed from group undertakings	6,159,240	16,704,651
Corporation tax	92,364	520,019
Deferred tax asset (see note 10)	-	71,968
Other debtors (a)	3,066,399	2,023,256
Prepayments	547,642	549,153
	33,035,236	21,725,243

(a) Other debtors include amounts falling due after more than one year totalling $1,257,534 (2013: $1,343,742) in respect of rent deposits. The rent deposit at 31 December 2014 is subject to a formal charge to secure against the company's obligations under its lease.

7 CURRENT ASSET INVESTMENTS

	2014	2013
	$	$
Units in money market fund	25,668,415	6,603,489
Investments held for trading – long positions	4,270	16,222,887
	25,672,685	22,826,376

8 CREDITORS: Amounts falling due within one year

	2014	2013
	$	$
Trade creditors	3,305,567	864,862
Amounts owed to group undertakings	2,775,380	1,248,251
Corporation tax	1,539,366	1,107,224
Other taxation and social security	172,175	2,750
Short positions	2,211	39,101
Accruals	21,522,721	15,643,915
	29,317,420	18,906,103

9 CREDITORS: Amounts falling due after more than one year

	2014	2013
	$	$
Accruals	901,801	958,797

10 PROVISIONS FOR LIABILITIES

	At 1 January 2014 $	Profit and loss account $	At 31 December 2014 $
Deferred taxation (asset)/provision			
Fixed assets timing differences	48,792	25,439	74,231
Short term timing differences	(120,760)	62,054	(58,706)
	(71,968)	87,493	15,525

Deferred taxation is provided at a corporation tax rate of 20% (2013: 20%)

11 SHARE CAPITAL

	2014 $	2013 $
Allotted, issued and fully paid:		
15,463,380 (2013: 15,463,380) ordinary shares of £1 each	24,869,026	24,869,026

12 PROFIT AND LOSS ACCOUNT

	2014 $	2013 $
At 1 January 2014	10,491,207	4,458,620
Profit for the financial year	24,837,817	6,032,587
At 31 December 2014	35,329,024	10,491,207

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 $	2013 $
Profit for the financial year	24,837,817	6,032,587
Issue of new shares	-	15,000,000
Net addition to shareholders' funds	24,837,817	21,032,587
Opening shareholders' funds	35,360,233	14,327,646
Closing shareholders' funds	60,198,050	35,360,233

The company manages its shareholders funds as capital and meets its objectives by generating a profit for the year after taxation. Dividends are only declared if the company will retain adequate capital, after payments of the dividend, to satisfy its capital adequacy requirements with the Financial Conduct Authority. The company has maintained adequate capital under the Financial Conduct Authority's rules throughout the year.

14 NOTES TO THE CASH FLOW STATEMENT

a. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 $	2013 $
Operating profit	27,100,428	7,810,532
Depreciation	1,486,741	1,299,883
Decrease/(increase) in debtors (not including cash at broker)	9,503,779	(17,428,659)
Increase in creditors	9,922,179	14,348,112
Net cash inflow from operating activities	48,013,127	6,029,868

b. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2014 $	2013 $
Returns on investments and servicing of finance		
Interest received	33,043	49,511
Net cash inflow from returns on investments and servicing of finance	33,043	49,511
Corporation tax paid	(1,348,364)	(720,232)
Taxation	(1,348,364)	(720,232)
Capital expenditure and financial investment		
Sales of tangible fixed assets	-	17,761
Purchases of tangible fixed assets	(492,408)	(5,469,745)
Net cash outflow from capital expenditure and financial investment	(492,408)	(5,451,984)
(Increase)/decrease in cash held with broker	(21,313,395)	7,540,530
Increase in current asset investments	(2,846,309)	(22,084,176)
Management of liquid resources	(24,159,704)	(14,543,646)
Issue of ordinary shares	-	15,000,000
Net cash inflow from financing	-	15,000,000

c. ANALYSIS OF NET FUNDS

	At 1 January 2014 $	Cash flows $	At 31 December 2014 $
Cash at bank and in hand	1,913,118	22,045,694	23,958,812
Cash at broker	1,856,196	21,313,395	23,169,591
Current asset investments	22,826,376	2,846,309	25,672,685
Total	26,595,690	46,205,398	72,801,088

15 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2014 the company was committed to making the following payments during the next year under non-cancellable operating leases as follows:

	2014	2013
	$	$
Land and buildings		
Expiring after more than five years	1,091,779	1,091,779

16 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions from disclosures of transactions with group companies available to subsidiary undertakings under Financial Reporting Standard No 8, where 100% of a subsidiary's voting rights are controlled within the group.

17 ULTIMATE CONTROLLING PARTY

The directors consider their direct parent, Jump Trading Holdings LLC, a company incorporated in the USA, to be the ultimate controlling party. Financial statements are available from Jump Trading Holdings LLC, 600 W Chicago Avenue, Suite 825, Chicago, Illinois, USA.

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments
The company's financial instruments at 31 December 2014 were categorised as follows:

	2014	2013
	$	$
Financial assets held for trading at fair value through profit and loss	25,672,685	22,826,376
Loans and receivables	56,354,042	22,497,221
Financial liabilities measured at amortised cost	(28,507,680)	(18,754,926)
	53,519,047	26,568,671

The carrying values of financial assets and liabilities measured at amortised cost represent a reasonable approximation of fair values.

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The Risk Management Framework
The company's risk management procedures are the ultimate responsibility of the directors. The Board works with the Executive and Risk Committees to set the risk strategy policies.

The Board determines the company's tolerance for risk – those risks it will accept and those it will not take in the pursuit of its goals and objectives. In addition, the Board ensures that the company has implemented an effective, on-going process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that such risks are actively managed.

The Executive Committee ("ExCo"), is accountable to the Board for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the company. The ExCo is responsible for effectively communicating the company's approach and commitment to establishing and maintaining an effective risk management framework and approach. The ExCo is also responsible for equipping employees with the right tools and knowledge to enable them to fulfil their obligations to the risk management process.

Due to the size and nature of the business, the company does not maintain an internal audit function or Audit Committee. Internal audits are completed as necessary by independent employees of the company or other group companies. The company seeks outside advice in the event that external expertise is required.

The ExCo is responsible for reviewing the company's internal independent audit operations to help ensure that the operation is properly independent and their recommendations are acted upon appropriately.

Liquidity Risk
Liquidity Risk is the risk that the company will be unable to meet financial commitments arising from its business activities. Principally, given the nature of the company's business, this means it will be unable to answer a margin call. The company seeks to ensure that it has constant access to an appropriate level of cash, liquid securities and committed funding lines to enable it to finance its on-going operations and reasonable unexpected events on cost-effective terms. Also, as discussed under Credit Risk below, the company monitors and modifies its exposure to the various banks, clearing partners and other financial institutions where it has funds on deposit to help ensure access to funds as they are needed.

The company's business strategy does not rely on the use of leverage (i.e. borrowed funds) to generate profits and only exchange traded instruments where a threshold level of liquidity is met are considered for active trading. With this in mind, the directors consider that Liquidity Risk does not pose the same type of threat to the company as it may to other businesses. The directors believe that that the concept of Liquidity Risk is adequately covered under their monitoring of Credit Risk appetite and that no separate Liquidity Risk appetite is necessary.

The maturity analysis of financial liabilities is:

	2014	2013
	$	$
Not later than three months	27,389,400	11,419,774
Three months to one year	216,479	6,376,355
Over one year	901,801	958,797
	28,507,680	18,754,926

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit Risk

The company's exposure to Credit Risk arises from the possibility of a bank, clearing firm or other financial institution failing to fulfil their contractual obligations. The company trades only in exchange traded issues with no material credit sensitivity and does not have external clients; therefore, the company's credit risk is limited to the financial loss the company might suffer should a financial institution holding the company's funds fail to make those funds available.

The company monitors credit and counterparty exposures on a daily basis, and has determined that, if exposure to a single counterparty were to reach 60% of total capital, action would be considered to reduce exposure to that counterparty, through diversification of counterparty risk (e.g. multiple clearing arrangements) or some other method.

Additional steps that are taken to assess and mitigate counterparty risk include:

- thorough due diligence and annual review of financial institutions holding company funds;
- monitoring clearing arrangements and funds on deposit;
- establishment and monitoring of lines of credit (primarily to reduce the need for funds on deposit at a given counterparty).

The following table discloses the maximum credit exposure on assets:

	Debtors (Note 6) $'000	Current asset Investments (Note 7) $'000	Cash at bank $'000	Total $'000
At 31 December 2014	32,395	25,673	23,959	82,027
At 31 December 2013	20,585	22,826	1,913	45,324

At 31 December 2014 none of the total current financial assets of £82,026,727 were past their due date (2013: none out of $45,323,598). No impairment provision has been made against the recoverability of any assets.

Market Risk

The company's potential Market Risks include trading book exposures to instruments held on its trading book, instruments held on its balance sheet, and foreign currency assets or liabilities held on its balance sheet.

The company mitigates Market Risk by requiring risk limits for all trading strategies. Risk limits must be approved by an independent risk management team in order to trade. These risk limits are enforced electronically and monitored by risk management.

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Risk limits include:

- Maximum Position: Limits the total position. Established per strategy, per trading team, and for the firm as a whole.
- Maximum Order size: Limits the maximum size of a single order. Established per strategy.
- Maximum Order rate: Limits how frequently a strategy can send orders. Established per trading venue per strategy.
- Maximum Unacknowledged Orders: Limits the number of orders that can be sent without receiving acknowledgement from a trading venue. Established per trading venue per strategy.
- Profit and Loss Cutoff: Limits the amount of trading loss a strategy (or group) can sustain before being placed into a "liquidate only" mode where traders can only submit orders that would close out their existing position.
- Price Reasonability: Limits the price at which an order can be sent in order to prevent overly aggressive or erroneous trades from entering the market.
- Capital Limit: Limits the aggregate margin exposure that a group can have.

The company's trading strategies can be generally categorised in one of two ways:

- Intraday trading
- Hedged basis trading

Most trading positions are opened and closed intraday, resulting in no overnight exposure.

Hedged basis trading typically involves arbitrage between contracts that will settle to the same price. These positions will be fully hedged overnight, resulting in no market risk exposure.

Currency position risk arises not just from currency futures but also from cash positions and from equity and debt derivatives priced in currencies other than sterling. As at 31 December net positions by currency were:

	31 December 2014		31 December 2013	
	Long	Short	Long	Short
	$'000	$'000	$'000	$'000
USD	-	-	7,099	-
EUR	-	(2)	3,547	(39)
GBP	4	-	5,577	-
	4	(2)	16,223	(39)

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Operational and Business Risk
Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external causes. These failures can be deliberate, accidental or natural. Operational Risk is a significant risk for the company as people and systems play a major role in the company's operations.

The company has devoted significant effort to identify and quantify potential Operational Risks and develop its Operational Risk appetite. Each risk has been categorised based on the likelihood of it occurring and its potential impact on the business. Any risk rated above our Operational Risk appetite is unacceptable to the company and is addressed with mitigating systems and controls or additional Pillar 2 Capital.

The directors have determined that any risk emerging and/or rated as above the company's Operational Risk appetite must have a plan for treatment developed within ten working days of identification and implemented within thirty days.

The company's Pillar 1 minimum capital requirement is calculated using the Basic Indicator Approach. This is calculated by taking 15% of the relevant indicator set out in IFPRU 5.1.1R. The relevant indicator is calculated by taking the three-year average of the sum of net interest income and net non-interest income.

To evaluate if additional Pillar 2 capital is required, the company considers the impact and probability of Operational Risks in the Firm's Risk Register using the methodology explained above. Based on this evaluation, all currently identified Operational Risks are scored are within our Operational Risk appetite.

Interest Rate Risk
The company has minimal sensitivity to interest rate changes. The company trades interest bearing instruments, but does not hold positions in those instruments for long periods of time, which is consistent with its overall business model. The company monitors interest rates nightly for various aspects of the business, and will be able to act accordingly based on the movement of interest rates. In the event that the company decides to carry positions in interest bearing instruments, management will determine the appropriate amount of capital to allocate for the risk exposure created by the position.

Capital
The company manages its shareholders' funds as capital and meets its objectives by generating a profit for the year after taxation. Dividends are only declared if the company will retain adequate capital after payment of the dividend.