

COMPANY REGISTRATION NUMBER 06005750

SPIRE EUROPE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2016

TUESDAY



A6ESQRR7

A01

12/09/2017

#129

COMPANIES HOUSE

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

CONTENTS

Company information	1
The strategic report	2-4
The directors' report	5-6
Statement of directors' responsibilities	7
Independent auditor's report to the members of Spire Europe Limited	8-9
Profit and loss account	10
Statement of comprehensive income	11
Balance sheet	12
Cash flow statement	13
Notes to the financial statements	14-32

COMPANY INFORMATION

Board of directors

A McGroarty
M Bragazzi
D A Ellis
D J J Royet
N Bonner-Fomes
J Papatsos

Company secretary

Hackwood Secretaries Limited

Registered office

One Crown Court
London
EC2V 6JP

Details of auditor

KPMG LLP
15 Canada Square
London
E14 5GL

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2016.

BUSINESS REVIEW

The principal activity of Spire Europe Limited (“the Company” or “Spire”) during the year was engaging in a proprietary trading business in the UK: dealing in equities, commodities, futures, options and foreign exchange. The Company is authorised and regulated by the Financial Conduct Authority (“FCA”). The Company is a wholly owned subsidiary of Spire Holding Company Limited. The ultimate parent company is Tower Research Capital Investments LLC.

The profit for the year, after taxation, is £7,288,085 (2015: £10,410,655).

Trading profit showed a modest increase in the year, increasing from £140,201,881 in 2015 to £149,811,406 in 2016. The increase arose partly from some trading teams being fully established during the year coupled with periods of improved volume and volatility that created favourable trading conditions for the Company. In addition, there have been material foreign currency movements for the US dollar and Euro against pound sterling that created trading profit gains given the functional currency of the Company is sterling; the Company held US dollar and Euro positions during the course of the year. The gross profit margin for 2016 was 45% (2015: 51%), with the decrease mainly arising from an increase in intercompany recharges during the year. The outcome of the BREXIT vote in June 2016 has resulted in senior management considering various scenarios for how the Company will be carrying out its current activities once the UK government has finalised its plans for how the UK will exit Europe. Stress testing of these scenarios are on-going and will be considered further during the course of 2017, and possibly into 2018.

The operating profit decreased by £3,089,822 on the prior year, driven mainly by a decrease in gross profit from trading as well as a full year’s worth of fixed salary costs during 2016 that came about from the significant ramp up in headcount amongst trading and non-trading teams in 2015. There were some incremental increase in support functions during 2016. At the end of 2016 the Company had a headcount of 103 compared to 89 at the end of 2015. Shareholder’s funds increased by 15% in 2016, mainly due to the profits generated in the year.

The directors consider profitability to be the sole performance indicator communicating the financial performance and strength of the Company. However, as required by the Capital Requirement Directive IV (“CRD IV”), the Company is required to disclose its return on assets, calculated as profit for the financial year divided by total balance sheet assets. For 31 December 2016, the return on assets was 3.3% (2015: 6.9%).

STRATEGIC REPORT *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES

The board meets on a quarterly basis, and evaluates the risk appetite of the Company. The principal risks and uncertainties facing the Company are detailed below:

Legislative risk

The revision to the Markets in Financial Instruments Directive - MiFID 2 is expected to be the most significant regulatory risk for the Company in the run up to its implementation in January 2018.

Whilst there will be significant technical build and costs associated with the implementation of MiFID 2 (such as transaction reporting, formatting of books and records), we expect the impact to the markets on which we trade will be broadly positive. MiFID 2 will move more liquidity onto regulated trading venues, improving the Company's ability to access and interact with this volume, thus benefiting the Company's trading and market making activities. The Company is exploring new commercial opportunities that may arise out of provisions of MiFID 2.

Market risk, credit risk and operational risk

Market risk arises from price risk and foreign exchange risk on the Company's trading book financial instruments. The Company has minimal exposure to price risk as the Company hedges its securities against other securities or other derivative instruments. The Company is exposed to foreign currency risk on its trading book given the markets the Company trades on. This risk is monitored by senior management to ensure that there is no exposure outside of the Company's risk appetite.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The Company's principal exposures relate to funds held on current and deposit accounts with its banks and financial institutions. Management regularly monitors these exposures and maintains an adequate spread of capital to guard against any potential default.

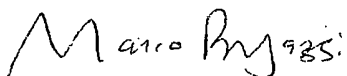
STRATEGIC REPORT *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Market risk, credit risk and operational risk *(continued)*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Given the nature of the Company's activities, Spire is exposed to operational risk in every aspect of its day to day business. There is a dedicated risk function that identifies and monitors all aspects of operational risk, assessing appropriate mitigating controls to reduce any likely loss impact.

By order of the board



M Bragazzi
Director
One Crown Court
London
EC2V 6JP
10 April 2017

THE DIRECTORS' REPORT

The directors have pleasure in presenting their report and the financial statements of Spire Europe Limited (the "Company" or "Spire") for the year ended 31 December 2016.

DIRECTORS

The directors who served the Company during the year and since the year end were as follows:

M H Gorton (resigned 3 February 2017)

A McGroarty

M Bragazzi

D A Ellis

D Royet (appointed 4 January 2016)

N Bonner-Fomes (Non-executive director) (appointed 6 September 2016)

J Papatsos (appointed 3 February 2017)

All of the directors benefited from qualifying third party indemnity provisions in place during the financial year ended 31 December 2016.

DIVIDENDS

The Company made no dividend payments during the year (2015: nil). The Company is not proposing any final dividends for 2016 (2015: nil).

FUTURE DEVELOPMENTS

The Company will continue to engage in proprietary trading.

FINANCIAL INSTRUMENTS

Details of the Company's financial risks are included in note 2.

PILLAR 3 DISCLOSURE

The Company's Pillar 3 disclosure can be found on the Company's website:

<https://www.tower-research.com>.

GOING CONCERN

The financial statements have been prepared on the going concern basis as at the time of approving the financial statements. The opinion of the directors is that the Company has sufficient liquidity and financial resources to cope with the current environment, as well as continue in operation for the foreseeable future.

THE DIRECTORS' REPORT *(continued)*

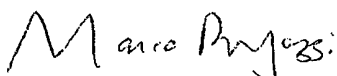
AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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 aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



M Bragazzi
Director
One Crown Court, 66 Cheapside
London
EC2V 6JP

10 April 2017

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL
STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* ("FRS 102").

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on Tower Research group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRE EUROPE LIMITED

We have audited the financial statements of Spire Europe Limited for the year ended 31 December 2016 set out on pages 10 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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. 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRE EUROPE LIMITED *(continued)*

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.

Based solely on the work required to be undertaken in the course of the audit of the Financial Statements and from reading the Strategic Report and Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



Matthew Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

10 April 2017

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

PROFIT AND LOSS ACCOUNT

	Note	2016 £	2015 £
TRADING PROFIT	3	149,811,406	140,201,881
Trading costs		<u>(81,706,206)</u>	<u>(68,300,747)</u>
GROSS PROFIT		68,105,200	71,901,134
Administrative expenses		<u>(56,167,129)</u>	<u>(56,873,241)</u>
OPERATING PROFIT	4	11,938,071	15,027,893
Interest income		46,425	419,328
Interest expense		<u>(2,852,766)</u>	<u>(2,314,922)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,131,730	13,132,299
Tax on profit on ordinary activities	7	<u>(1,843,645)</u>	<u>(2,721,644)</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>7,288,085</u></u>	<u><u>10,410,655</u></u>

All of the activities of the Company are classed as continuing.

The notes on pages 14 to 32 form part of these financial statements.

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

STATEMENT OF COMPREHENSIVE INCOME

	Note	2016 £	2015 £
PROFIT FOR THE FINANCIAL YEAR		7,288,085	10,410,655
Net loss on revaluation of available-for sale assets	10	<u>(91,906)</u>	<u>(101,570)</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>7,196,179</u>	<u>10,309,085</u>

The notes on pages 14 to 32 form part of these financial statements.

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

BALANCE SHEET

	Note	31 Dec 2016 £	31 Dec 2015 £
FIXED ASSETS			
Tangible assets	9	<u>481,555</u>	<u>582,602</u>
CURRENT ASSETS			
Cash at bank		53,657,683	37,084,302
Due from brokers		5,692,931	4,484,453
Available for sale investments	10	627,229	602,692
Financial assets at fair value through profit or loss		158,825,839	104,946,240
Debtors	11	<u>2,604,742</u>	<u>2,283,903</u>
		221,408,424	149,401,590
CURRENT LIABILITIES			
Due to brokers		(20,882,053)	(9,636,781)
Financial liabilities at fair value through profit or loss		(104,262,411)	(47,900,326)
Creditors: amounts falling due within one year	12	<u>(40,646,153)</u>	<u>(43,543,902)</u>
		(165,790,617)	(101,081,009)
NET CURRENT ASSETS		<u>55,617,807</u>	<u>48,320,581</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>56,099,362</u></u>	<u><u>48,903,183</u></u>
CAPITAL AND RESERVES			
Called-up equity share capital	16	14,500,000	14,500,000
Other reserves		(193,476)	(101,570)
Retained earnings	17	41,792,838	34,504,753
SHAREHOLDER'S FUNDS	18	<u><u>56,099,362</u></u>	<u><u>48,903,183</u></u>

These financial statements were approved by the directors and authorised for issue on 10 April 2017 and are signed on their behalf by:

M. Bragazzi

M Bragazzi, Director

Company Registration Number: 06005750

The notes on pages 14 to 32 form part of these financial statements.

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

CASH FLOW STATEMENT

	2016	2015
	£	£
Profit for the financial year	7,288,085	10,410,655
Adjustments for:		
Depreciation of tangible assets	268,578	200,154
Disposal of tangible assets	13,560	-
Interest paid	2,852,766	2,314,922
Interest received	(46,425)	(419,328)
Taxation	1,843,645	2,721,644
Increase in investments	(116,443)	-
(Increase)/decrease in debtors	770,714	(737,117)
Increase/(decrease) in creditors	(1,557,624)	31,049,085
NET CASH FROM OPERATING ACTIVITIES	11,316,856	45,540,015
Taxation paid	(4,275,323)	(3,388,585)
NET CASH GENERATED FROM OPERATING ACTIVITIES	7,041,533	42,151,430
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(181,091)	(485,375)
Purchase of available-for-sale investments	-	(704,262)
Interest received	46,425	419,328
NET CASH USED IN INVESTING ACTIVITIES	(134,666)	(770,309)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,852,766)	(2,314,922)
NET CASH USED IN FINANCING ACTIVITIES	(2,852,766)	(2,314,922)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,054,101	39,066,199

The notes on pages 14 to 32 form part of these financial statements.

1. ACCOUNTING POLICIES

Company Information

Spire is a limited company and is incorporated in the United Kingdom and its registered office is at Crown Court, One Crown Court, 66 Cheapside, 2nd Floor, London EC 2V 6JP.

Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared under the historical cost accounting rules modified to include the effect of fair value accounting for certain financial instruments as allowed by the Companies Act 2006. The financial statements have been prepared in accordance with the UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") and with the Companies Act 2006.

The Country-by-Country Reporting disclosures have been prepared to comply with The Capital Requirement (Country-by-Country Reporting) Regulation 2013 which implements article 89 of the Capital Requirements Directive IV ("CRD IV").

In the opinion of the directors, the Company is a going concern with sufficient liquidity and financial resources to cope with the current environment, as well as continue in operation for the foreseeable future.

In the opinion of the directors, the presentation of turnover, cost of sales and gross profit envisaged by the Companies Act 2006 is not applicable to the Company. The appropriate presentation therefore is for the profit and loss account to begin with "trading profit" which comprises all income and expense related to the Company's trading activities.

(b) Cash flow statement

Net funds, for the purpose of the cash flow statement, comprised cash held at banks, cash at clearing brokers, and financial assets and liabilities at fair value available at year end. Financial assets are investments that are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

1. ACCOUNTING POLICIES *(continued)*

Summary of significant accounting policies *(continued)*

(c) Due from brokers

The amounts receivable from brokers arise in the ordinary course of business and are pursuant to clearing agreements with the clearing firms. The Company carries its receivables from clearing brokers account at value that includes net cash balances less an allowance for doubtful accounts, if applicable. On a periodic basis, the Company evaluates these accounts and establishes an allowance for doubtful accounts, if needed, based on a history of past write-offs and collections and current credit conditions.

(d) Financial instruments and investments

The Company has applied the recognition and measurement provisions of International Accounting Standard 39 (as adopted for use in the EU) and the disclosure requirements of Section 11 and 12 of FRS 102.

The Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss (FVPL), held to maturity investments (HTM), and available for sale investments (AFS). Management determines the classification of its investments at initial recognition. When financial assets are recognised initially, they are measured at fair value. Fair value is determined by reference to quoted prices in active markets.

Financial assets at FVPL include those financial assets held for trading, financial assets designated upon initial recognition as FVPL and derivative instruments. Gains and losses arising from changes in the fair value of the financial assets at FVPL are included in the profit and loss account in the period in which they arise.

AFS investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale investments are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as profit or loss from investment securities.

The Company does not have any HTM financial assets.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

1. ACCOUNTING POLICIES *(continued)*

Summary of significant accounting policies *(continued)*

(d) Financial instruments and investments *(continued)*

The Company values investments in securities and securities sold short that are freely tradable at their last sales price as of the end of each business day. The Company may use futures contracts to gain exposure to, or hedge against, changes in the fair value of equities or other futures contracts.

(e) Trading profit

The trading profit shown in the profit and loss account represents the net amount earned during the year from proprietary trading.

The trading profit is calculated by recognising the market value of the Company's portfolio. Unrealised income/loss on open positions is also included in the trading profit.

(f) Trading costs

The trading costs shown in the profit and loss account represent costs associated with the proprietary trading performed.

(g) Tangible assets and depreciation

Tangible assets are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property	- Life of lease: straight line basis
Computer equipment	- 3 years: straight line basis
Furniture	- 7 years: straight line basis

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(h) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

1. ACCOUNTING POLICIES *(continued)*

Summary of significant accounting policies *(continued)*

(i) Foreign currencies

The Company's functional and presentational currency is the pound sterling. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on a monthly basis. Exchange differences are taken into account in arriving at the operating profit.

(j) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

(k) Dividends paid

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2. FINANCIAL RISK MANAGEMENT

The objective of financial risk management is to plan, organise and perform sufficient actions to provide reasonable assurance that the Company's overall objectives and goals will be met, and to limit the risk of adverse events occurring to a level that is acceptable to the board.

The Company identifies and manages its key financial risks by means of a risk management policy that is appropriate to its size while preserving its effectiveness.

The main risks of the Company, and the management of them, are set forth below:

Exposure to foreign currency risk

The Company has exposure to foreign currency risk to the extent that balances are maintained in foreign currencies where required for the proper operation of the business. Any foreign exchange risk arising out of this is monitored by senior management and regulatory capital is maintained to cover the assessed risk of adverse changes in exchange rates.

The Company is most exposed to currency risk in its Euro and US Dollar deposits. A 10% increase in the sterling exchange rate against the Euro and US Dollar will increase profit before tax by £2.2 million in 2016 (2015: £2.0 million increase). The Company's management aims to hold GBP whenever possible.

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

2. FINANCIAL RISK MANAGEMENT *(continued)*

Exposure to foreign currency risk

Set out below are financial instruments of the Company by currency:

31 December 2016

	GBP £	EUR £	USD £	Other £	Total £
ASSETS					
Cash at bank	51,207,388	235,428	2,214,867	-	53,657,683
Due from brokers	-	-	4,215,257	1,477,674	5,692,931
Available for sale investments	-	-	627,229	-	627,229
Financial assets at fair value through profit and loss	3,374,024	148,160,258	229,415	7,062,142	158,825,839
Debtors	1,817,208	601,726	155,281	30,527	2,604,742
TOTAL CURRENT ASSETS	56,398,620	148,997,412	7,442,049	8,570,343	221,408,424
LIABILITIES					
Due to brokers	53,385,617	(81,023,194)	1,579,540	5,175,984	(20,882,053)
Financial liabilities at fair value through profit or loss	(34,471,415)	(53,440,757)	(2,229)	(16,348,010)	(104,262,411)
Creditors: amounts falling due within one year	(37,918,365)	(1,121,836)	(1,213,349)	(392,603)	(40,646,153)
TOTAL LIABILITIES	(19,004,163)	(135,585,787)	363,962	(11,564,629)	(165,790,617)
NET BOOK VALUE	37,394,457	13,411,625	7,806,011	(2,994,286)	55,617,807

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

2. FINANCIAL RISK MANAGEMENT *(continued)*

Exposure to foreign currency risk (continued)

31 December 2015

	GBP £	EUR £	USD £	Other £	Total £
ASSETS					
Cash at bank	35,228,348	1,087,401	768,553	-	37,084,302
Due from brokers	-	-	2,146,657	2,337,796	4,484,453
Available for sale investments	-	-	602,692	-	602,692
Financial assets at fair value through profit and loss	21,308,364	69,293,978	322,475	14,021,423	104,946,240
Debtors	790,278	649,523	718,332	125,770	2,283,903
TOTAL CURRENT ASSETS	57,326,990	71,030,902	4,558,709	16,484,989	149,401,590
LIABILITIES					
Due to brokers	18,620,547	(29,783,593)	2,271,547	(745,282)	(9,636,781)
Financial liabilities at fair value through profit or loss	(5,253,183)	(26,291,273)	(230,399)	(16,125,471)	(47,900,326)
Creditors: amounts falling due within one year	(41,086,499)	(916,730)	(968,502)	(572,171)	(43,543,902)
TOTAL LIABILITIES	(27,719,135)	(56,991,596)	1,072,646	(17,442,924)	(101,081,009)
NET BOOK VALUE	29,607,855	14,039,306	5,631,355	(957,935)	48,320,581

2. FINANCIAL RISK MANAGEMENT *(continued)*

Exposure to price risk

The Company has minimal risk to equity securities price risk as the Company hedges these securities against other securities or other instruments.

Exposure to credit risk

The Company maintains an exposure in connection with funds held on current and deposit accounts with its banks and other financial institutions. The board regularly monitors these exposures and maintains an adequate spread of capital to guard against any potential default. The table below groups the Company's counterparties by credit rating and shows the percentage of financial assets at each rating.

Credit rating of counterparties Standard & Poor's/Moody's	31/12/2016 Financial Assets	Asset Concentration
A1/A	45,944,295	75.51%
A+/Aa3	988,993	1.63%
A/A2	469,265	0.77%
BBB+/A3	8,657,683	14.23%
Various	4,781,218	7.86%
Credit rating of counterparties	31/12/2015 Financial Assets	Asset Concentration
A1/A	768,208	1.74%
A+/Aa3	841,498	1.91%
A/A2	672,622	1.52%
BBB+/A3	37,084,302	83.95%
Various	4,805,751	10.88%

2. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity and cash flow risk

To reduce liquidity risk and cash flow risk the board aims to ensure that a substantial portion of the Company's assets consist of cash instruments and readily available securities. During the maturity analysis of derivative and non-derivative financial liabilities, the Company concluded that all liabilities for this year and the prior year had contractual maturity between 0-6 months at year end.

Analysis of financial instruments

A fair value hierarchy for inputs is used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorised into three levels based on the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derivatives from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data.

<i>Assets at 31 December 2016</i>	Level 1 £	Level 2 £	Level 3 £
Available for sale investments	627,229	-	-
Financial assets, at fair value	158,825,839	-	-
<i>Liabilities at 31 December 2016</i>	Level 1	Level 2	Level 3
Financial liabilities, at fair value	(104,262,411)	-	-
<i>Assets at 31 December 2015</i>	Level 1 £	Level 2 £	Level 3 £
Available for sale investments	602,692	-	-
Financial assets, at fair value	104,946,240	-	-
<i>Liabilities at 31 December 2015</i>	Level 1 £	Level 2 £	Level 3 £
Financial liabilities, at fair value	(47,900,326)	-	-

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. TRADING PROFIT

The trading profit before tax is attributable to the principal activity of the Company. An analysis of the trading profit is given below:

	2016	2015
	£	£
United Kingdom	32,125,774	36,761,080
Europe (excluding UK)	98,976,457	84,905,298
Americas	18,439,220	18,402,184
Asia	269,955	132,262
Australia	-	1,057
TOTAL TRADING PROFIT	149,811,406	140,201,881

In the opinion of the directors, reporting on net profits and net assets by geographical area would be seriously prejudicial to the interest of the Company and as a result the directors do not wish to make such disclosure.

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2016	2015
	£	£
Depreciation of fixed assets	268,578	200,154
Loss on disposal of fixed assets	13,560	-
Net loss/(gain) on foreign currency translation	(321,524)	122,562
Operating lease charges	842,326	884,896
Fees paid to the Company's auditor for the audit of the Company's annual accounts	55,970	55,210
Fees paid to the Company's auditor and its associates for other services:		
Taxation compliance services	9,470	8,350
Other taxation services	5,193	3,450
Audit related assurance services	29,520	3,130
Other non audit services	6,139	41,016

Prior year other non-audit services include advice on compilation of certain regulatory returns.

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the Company, including directors, during the financial year amounted to:

	2016	2015
Directors	5	2
Support/management staff	44	35
Trading staff	53	45

	2016	2015
Staff costs (including directors) consist of:	£	£
Wages and salaries	45,333,146	46,054,499
Pension costs	400,873	340,289
Social security costs	5,995,504	6,037,544
	<u>51,729,523</u>	<u>52,432,332</u>

6. DIRECTORS' REMUNERATION

The directors' aggregate emoluments in respect of qualifying services were:

	2016	2015
	£	£
Directors' emoluments	1,912,688	728,285
Company's contribution to defined contribution scheme	34,500	10,721
Total	<u>1,947,188</u>	<u>739,006</u>

Emolument of highest paid director:

Total emoluments	853,223	701,016
Company's contribution to defined contribution scheme	10,000	10,000
Total	<u>863,223</u>	<u>711,016</u>

4 (2015: 3) directors are members of defined contribution schemes.

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax expense

	2016 £	2015 £
Current tax		
UK Corporation tax at average rate of 20% (2015: 20.25%)	1,890,072	2,719,658
(Over)/under provision in prior year	(42,605)	14,972
Total current tax	1,847,467	2,734,630
Deferred tax:		
Timing differences	(3,822)	(12,986)
Total deferred tax	(3,822)	(12,986)
Tax on profit on ordinary activities	1,843,645	2,721,644

b) Factors affecting current tax expense

	2016 £	2015 £
Profit on ordinary activities before taxation	9,131,730	13,132,299
Profit on ordinary activities at rate of tax	1,826,346	2,659,291
Expense not deductible for tax purposes	20,965	51,535
Capital allowances in deficit/(excess) of depreciation	42,761	(11,134)
Adjustment to tax charge in respect of previous period	(42,605)	14,972
Other	(3,822)	6,980
	1,843,645	2,721,644

The total tax charge is higher (2015: higher) than the standard rate of corporation tax in the UK (20.00%) (2015: 20.25%). The main rate of corporation tax for the years beginning 1 April 2017, 2018 and 2019 will reduce to 19%, followed by a reduction to 17% for the year starting 1 April 2020.

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

8. DIVIDENDS

	2016 £	2015 £
Paid during the year:		
Dividends on equity shares	-	-

9. TANGIBLE FIXED ASSETS

	Furniture £	Leasehold Property £	Computer Equipment £	Total £
COST				
1 January 2016	61,203	661,211	147,737	870,151
Additions in 2016	23,938	17,420	139,733	181,091
Disposals in 2016	(5,832)	-	(17,845)	(23,677)
31 December 2016	79,309	678,631	269,625	1,027,565
ACCUMULATED DEPRECIATION				
At 1 January 2016	4,271	184,841	98,437	287,549
Depreciation in 2016	11,822	218,921	37,835	268,578
Disposal in 2016	(869)	-	(9,248)	(10,117)
At 31 December 2016	15,224	403,762	127,024	546,010
NET BOOK VALUE				
At 31 December 2015	56,932	476,370	49,300	582,602
At 31 December 2016	64,085	274,869	142,601	481,555

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

10. AVAILABLE FOR SALE INVESTMENTS

	2016	2015
	£	£
At 1 January	602,692	-
Additions	-	704,262
Foreign currency gains	116,443	-
Net losses recognised in other comprehensive income	(91,906)	(101,570)
At 31 December	<u>627,229</u>	<u>602,692</u>

The above available for sale investments represent investments in CME linked seats. There is a readily available mark to market price on all of them and hence they are classified as level 1 investments.

11. DEBTORS

	2016	2015
	£	£
Other debtors	350,989	318,292
Amounts owed by related party	61,469	66,312
Prepayments	401,981	264,674
Accrued income	680,406	1,616,281
Corporation tax	1,087,731	-
Deferred tax	22,166	18,344
	<u>2,604,742</u>	<u>2,283,903</u>

12. CREDITORS: Amounts falling due within one year

	2016	2015
	£	£
Trade creditors	2,242,102	2,493,124
Amounts owed to related party	1,174,357	855,661
Corporation tax	-	1,340,125
Other taxation	88,266	84,709
Other creditors	77,231	53,415
Accruals and deferred expense	37,064,197	38,716,868
	<u>40,646,153</u>	<u>43,543,902</u>

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

12. CREDITORS: Amounts falling due within one year (continued)

Amounts owed to related party represent amounts owed to Tower Research Capital LLC in respect of rechargeable costs as well as service fees and administrative support.

13. DEFERRED TAX

The Company has the following deferred tax asset:

	2016 £	2015 £
Timing differences	<u>22,166</u>	<u>18,344</u>
Deferred tax balance on		
	2016 £	2015 £
Deferred tax balance on 1 January	18,344	5,358
Profit and loss account credit (note 7)	3,822	12,986
Deferred tax balance on 31 December	<u>22,166</u>	<u>18,344</u>

14. COMMITMENTS

At 31 December 2016, the Company had the following future minimum operating lease payments as set out below:

	Land and Buildings 2016 £	2015 £
Operating leases which expire:		
Within 1 year		
Within 2 to 5 years	<u>821,801</u>	<u>1,314,823</u>

The Company has no other off-balance sheet arrangements.

15. RELATED PARTY TRANSACTIONS

As part of the Business Support Agreement, which became operational on 1 January 2011, Spire is charged for software, service fees and administrative support provided by Tower Research Capital LLC. Spire and Tower Research Capital LLC are under common ownership.

Recharges of £10,459,667 (2015: £7,258,129) were made by Tower Research Capital LLC in respect of trading related costs incurred by Tower Research Capital LLC relating to Spire operations. Recharges of £1,349,942 (2015: £1,423,284) were made by Tower Research Capital LLC in respect of software, service fees and administrative support relating to Spire operations. An amount of £130,235 (2015: £124,038) was payable to Tower Research Capital LLC in respect of software, service fees and administrative support. In total, £1,138,334 (2015: £851,405) was due to Tower Research Capital LLC at the balance sheet date.

Recharges of £511,551 (2015: £533,479) were made to Spire X Trading LLC, an affiliated entity of the Tower Research Capital group, in respect of trading related costs incurred by Spire operations. £30,367 (2015: £66,312) was payable by Spire X Trading LLC as at 31 December 2016.

Recharges of £18,413 (2015: £12,573) were made to Tower Research Capital (Singapore) Pte. Ltd, an affiliated entity of the Tower Research group, in respect of trading related costs incurred by Spire operations. Recharges of £76,850 (2015: £42,594) were paid to Tower Research Capital (Singapore) Pte. Ltd during the year relating to trading costs. £4,866 (2015: £nil) was payable by Tower Research Capital (Singapore) Pte. Ltd as at 31 December 2016. £nil (2015: £3,676) was payable to Tower Research Capital (Singapore) Pte. Ltd as at 31 December 2016.

Recharges of £nil (2015: £3,350) were paid to Tower Research Capital (Hong Kong) Limited, an affiliated entity of the Tower Research Capital group, in respect of trading related costs incurred by that entity. £nil (2015: £581) was payable to Tower Research Capital (Hong Kong) Limited as at 31 December 2016.

Recharges of £252,524 (2015: £nil) were made to TRC Investments (DIFC) Ltd, an affiliated entity of the Tower Research Capital group, in respect of trading related costs incurred by Spire operations. £50,946 (2015: £nil) was payable by TRC Investments (DIFC) Ltd as at 31 December 2016.

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

16. ALLOTTED, CALLED UP AND FULLY PAID CAPITAL

	2016	2015	2016	2015
	Number of Shares		£	£
Ordinary shares at £1 each at 1 January	14,500,000	14,500,000	14,500,000	14,500,000
Ordinary shares at £1 each at 31 December	<u>14,500,000</u>	<u>1,600,000</u>	<u>14,500,000</u>	<u>1,600,000</u>

There exists only a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital. The ordinary shares are issued at £1 each.

17. RETAINED EARNINGS

	2016	2015
	£	£
Balance brought forward	34,504,753	24,094,098
Profit for the financial year	7,288,085	10,410,655
Equity dividends	-	-
Balance carried forward	<u>41,792,838</u>	<u>34,504,753</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2016	2015
	£	£
Profit for the financial year	7,288,085	10,410,655
Net loss on revaluation of available-for sale assets	(91,906)	(101,570)
Equity dividends	-	-
Net addition to shareholder's funds	<u>7,196,179</u>	<u>10,309,085</u>
Opening shareholder's funds	<u>48,903,183</u>	<u>38,594,098</u>
Closing shareholder's funds	<u>56,099,362</u>	<u>48,903,183</u>

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

19. NOTES TO THE CASH FLOW STATEMENT

	Net Cash £
At 1 January 2016	88,977,888
Cash Flows	<u>4,054,101</u>
At 31 December 2016	<u>93,031,989</u>

Cash, for the purpose of the cash flow statement, comprised cash held at banks, cash at clearing brokers, and financial assets and liabilities at fair value.

	2016 £	2015 £
Cash at bank	53,657,683	37,084,302
Due from broker	5,692,931	4,484,453
Financial assets, at fair value	158,825,839	104,946,240
Due to broker	(20,882,053)	(9,636,781)
Financial liabilities, at fair value	<u>(104,262,411)</u>	<u>(47,900,326)</u>
Net funds	<u>93,031,989</u>	<u>88,977,888</u>

20. CAPITAL MANAGEMENT

Accounting capital is defined as the total of share capital, other reserves and retained earnings. Total capital at 31 December 2016 was £56,099,362 (2015: £48,903,183). The Company is authorised and regulated by the FCA, and as such must maintain adequate regulatory capital, as defined by the FCA, at all times. Capital adequacy is monitored daily. The calculation of regulatory capital requires certain adjustments to and certain deductions from accounting capital. For the year ended 31 December 2016, the Company reported no breaches (2015: none) in its capital adequacy to the FCA. At 31 December 2016, the Company maintained sufficient regulatory capital to meet its capital adequacy requirement.

21. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Spire Holding Company Limited, a company registered and incorporated in Bermuda. Spire Holding Company Limited's address of incorporation is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The financial statements of Spire Holding Company Limited are not available to the general public.

The Company's ultimate parent undertaking is Tower Research Capital Investments LLC, incorporated in the USA. Tower Research Capital Investments LLC is a limited liability company organised under the laws of Delaware, USA. Tower Research Capital Investments LLC's address of incorporation is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801 USA. The financial statements of Tower Research Capital Investments LLC are not available to the general public. The ultimate controlling party is M Gorton, who owns (via a Delaware limited liability company) approximately 47.72% of the ultimate parent company as of 31 December 2016.

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

22. COUNTRY BY COUNTRY REPORTING

The tables below disclose the country by country reporting for the year ended 31 December 2016 and the comparative period:

Nature of activities	Country of Establishment	Turnover GBP (000's)	Profit and Loss After Tax GBP (000's)	Corporation Tax Paid GBP (000's)	Average number of employees on a full time equivalent basis	Public subsidies received GBP (000's)
The principal activity of the Company during 2016 was proprietary trading in equities and futures on a high frequency algorithmic basis across various major European exchanges.	United Kingdom	147,126	7,270	4,275	98	-
The principal activity of the branch during 2016 was the provision of software development.	United Arab Emirates (Dubai)	-	(304)	-	2	-
The principal activity of the branch during 2016 was the provision of software development.	Netherlands	2,685	322	-	2	-
Total		149,811	7,288	4,275	102	-

SPIRE EUROPE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

22. COUNTRY BY COUNTRY REPORTING *(continued)*

Year ended 31 December 2015 (Spire Europe Limited – United Kingdom)

Nature of activities	Country of Establishment	Turnover GBP (000's)	Profit and Loss After Tax GBP (000's)	Corporation Tax Paid GBP (000's)	Average number of employees on a full time equivalent basis	Public subsidies received GBP (000's)
The principal activity of the Company during 2015 was proprietary trading in equities and futures on a high frequency algorithmic basis across various major European exchanges.	United Kingdom	140,202	12,314	3,389	78	-
The principal activity of the branch during 2015 was the provision of software development.	United Arab Emirates (Dubai)	-	(1,725)	-	2	-
The principal activity of the branch during 2015 was the provision of software development.	Netherlands	-	(178)	-	2	-
Total		140,202	10,411	3,389	82	-