

**Hudson River Trading Europe
Ltd.**

Report and Financial Statements

For the year ended 31 December 2010

Company Registration Number
06796079 (England and Wales)

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COMPANIES HOUSE

Directors

J Carroll
A Morcos
S Daftuar
P Lal

Registered office

16th Floor
1 Angel Court
London
EC2R 7HJ

Registered number

06796079 (England and Wales)

Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

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Directors' report for the year ended 31 December 2010

The directors present their report and the financial statements of the company for the year ended 31 December 2010

Principal activity, business review and future developments

The principal activity of the company is to provide trade facilitation and operational support services to its parent, Hudson River Trading LLC, across various U K and European trading exchanges. The directors of the company are direct owners of the company's parent.

The results for the year and financial position at the year end were considered satisfactory by its directors. The directors expect continued positive development of the business going forward.

Key performance indicators ("KPIs")

The KPIs used by the directors to aid their management of their company include cost management and cash flow forecasts, however, given the nature of the business, the directors are of the opinion that inclusion of analysis using KPIs is not necessary for users of the financial statements to understand the development, performance or position of the business.

Financial risk management

Credit risk

Credit risk is the risk of financial loss due to the failure of a counterparty performing according to the terms of a contract. The company's credit risk arises mainly from cash held in bank deposit accounts and held at its clearing firm.

Margin risk

Margin risk occurs because the company may borrow funds in order to increase the amount of capital available for investing or trading purposes.

Concentration risk

The fund is dependent on its clearing brokers to execute its trading strategy and the replacement of this service could take a few months, thereby affecting normal operations.

Market risk

Market risk is the risk of loss resulting from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates.

The financial risks highlighted above are transferred to Hudson River Trading LLC, on whose behalf the company executes trades.

Results & dividends

The company's profit on ordinary activities before taxation for the financial year is £303,133 (2009 £673,999 - loss). The directors did not recommend a dividend for the year (2009 £nil).

Directors' report for the year ended 31 December 2010

Directors

The directors during the year were as follows

J Carroll

A Morcos

S Daftuar

P Lal

(appointed 26 October 2010)

Directors' responsibilities

The directors are responsible for preparing the Director's 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 prepared 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

- ◆ select suitable accounting policies and then apply them consistently,
- ◆ make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that

- ◆ so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- ◆ the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.


This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' report for the year ended 31 December 2010

Independent auditor

The auditors, PricewaterhouseCoopers LLP have indicated a willingness to continue in office and a resolution concerning their reappointment will be proposed at the next Annual General Meeting

Signed on behalf of the board



S Daftuar

Director

Approved by the board on 6/6/11

Independent auditor's report 31 December 2010

Independent auditor's report to the members of Hudson River Trading Europe Ltd

We have audited the financial statements of Hudson River Trading Europe Ltd for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 2010 and of its profit and cash flows 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

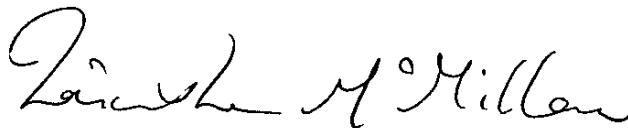
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report 31 December 2010

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



Natasha McMillan (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

7 June 2011

Profit and loss account for the year ended 31 December 2010

| | Notes | 31 December 2010 £ | Period from 20 January 2009 to 31 December 2009 £ |
|--|-------|-----------------------------|--|
| Turnover | | 3,334,470 | 735,440 |
| Administrative expenses | | (3,031,337) | (1,409,439) |
| Operating profit/(loss) on ordinary activities before taxation | 2 | 303,133 | (673,999) |
| Tax (charge)/credit on profit/(loss) on ordinary activities | 4 | (227,834) | 135,608 |
| Profit/(loss) for the financial period | 12 | 75,299 | (538,391) |

The company has no recognised gains or losses other than those shown above and therefore no separate statement of total recognised gains or losses has been presented

All of the company's activities were derived from continuing operations during the above financial periods

The notes on pages 9 to 14 form an integral part of these financial statements

Balance sheet as at 31 December 2010

| | Notes | 2010 £ | 2010 £ | 2009 £ | 2009 £ |
|---|-------|------------------|------------------|------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 5 | | 233,429 | | 295,167 |
| Current assets | | | | | |
| Debtors | 6 | 458,537 | | 513,378 | |
| Cash at bank and in hand | | 8,218,119 | | 1,480,239 | |
| | | <u>8,676,656</u> | | <u>1,993,617</u> | |
| Creditors amounts falling due within one year | 7 | (4,359,920) | | (97,982) | |
| Net current assets | | | 4,316,736 | | 1,895,635 |
| Creditors amounts falling due in greater than one year | 8 | | (171,236) | | (87,225) |
| Total assets less liabilities | | | <u>4,378,929</u> | | <u>2,103,577</u> |
| Capital and reserves | | | | | |
| Equity interests | | | | | |
| Called up share capital | 10 | | 4,842,021 | | 2,641,968 |
| Profit and loss account | 12 | | (463,092) | | (538,391) |
| Shareholder's funds | 11 | | <u>4,378,929</u> | | <u>2,103,577</u> |

Approved by the Board of Directors at a meeting on 6 June 2011 and signed on its behalf by



S Daftuar
Director

The notes on pages 9 to 14 form an integral part of these financial statements

Hudson River Trading Europe Ltd
Company registration number: 06796079 (England and Wales)

Cash flow statement for the year ended 31 December 2010

| | Notes | 2010 £ | 2009 £ |
|--|-------|------------------|-----------|
| Net cash inflow/(outflow) from operating activities | 13 | 4,560,089 | (835,596) |
| Capital expenditure | 14 | (22,262) | (326,133) |
| Financing | 14 | 2,200,053 | 2,641,968 |
| Increase in cash in the year | | 6,737,880 | 1,480,239 |

Reconciliation of net cash flow to movement in net funds

| | Notes | 2010 £ | 2009 £ |
|-------------------------------------|-------|------------------|-----------|
| Increase in cash in the period | 15 | 6,737,880 | 1,480,239 |
| Increase in net funds in the period | | 6,737,880 | 1,480,239 |
| Net funds at start of period | | 1,480,239 | — |
| Net funds at end of period | | 8,218,119 | 1,480,239 |

The notes on pages 9 to 14 form an integral part of these financial statements

Notes to the financial statements for the year ended 31 December 2010

1 Basis of accounting

The accounts have been prepared under the historical cost convention, on a going concern basis and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The company has taken an exemption available in FRS8 *Related Party Transactions* not to disclose transactions with entities that are part of the group qualifying as related parties on the grounds that it is a wholly owned subsidiary

Deferred taxation

Deferred tax is provided on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

Turnover

Turnover represents fee income derived from trade facilitation and operational support services to Hudson River Trading LLC, a company incorporated in the U S A. Turnover is recognised on an accruals basis

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at cost at the following annual rates in order to write off the cost of each asset over its estimated useful life

- ◆ Office and warehouse equipment 33.33% per annum
- ◆ Leasehold improvements over the period of the lease
- ◆ Fixtures and fittings 25% per annum

Leases

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange on the balance sheet date and the gains and losses on translation are included in the profit and loss account

Notes to the financial statements for the year ended 31 December 2010

2 Operating profit/(loss)

Operating profit/(loss) on ordinary activities before taxation is stated after charging

| | 31 December 2010 £ | Period from 20 January 2009 to 31 December 2009 £ |
|-----------------------------|---------------------------------------|--|
| Auditors' remuneration | | |
| Audit fees | 45,000 | 25,000 |
| Tax services | 10,000 | 5,000 |
| Depreciation | 84,000 | 30,966 |
| (Gains) on foreign exchange | — | (2,755) |
| Operating lease rentals | 1,175,724 | 77,479 |

3 Staff costs

| | 31 December 2010 £ | Period from 20 January 2009 to 31 December 2009 £ |
|-----------------------|---------------------------------------|--|
| Wages and salaries | 809,595 | 325,093 |
| Social security costs | 120,122 | 40,180 |
| | 929,717 | 365,273 |

The above staff costs pertain to 3 employees during the year (2009 – 2). No directors received any remuneration in respect to services provided to the company during the year

Notes to the financial statements for the year ended 31 December 2010

4 Taxation

a) Taxation

| | 31 December 2010 | Period from 20 January 2009 to 31 December 2009 |
|--|-----------------------------|---|
| | £ | £ |
| Current tax | | |
| United kingdom corporation tax based on the results for the period as adjusted for taxation purposes at 28% (2009 – 21%) | (143,680) | — |
| Prior adjustments | (15,934) | — |
| Total current tax | (159,614) | — |
| Deferred tax (note 9) | | |
| Prior year adjustments | (129,109) | — |
| Deferred tax credit for the year | 60,889 | 135,608 |
| Taxation (charge)/credit | (227,834) | 135,608 |

b) Reconciliation of corporation tax charge for the period

| | 31 December 2010 | Period from 20 January 2009 to 31 December 2009 |
|--|---------------------------------|---|
| | £ | £ |
| Gain/(loss) for the period | 303,133 | (673,999) |
| Corporation tax at 28% (2009 - 21%) | 84,877 | (141,540) |
| Taxation adjustments and expenses disallowed for tax purposes | | |
| Prior adjustments | 15,934 | — |
| Expenses not deductible for tax purposes | 3,374 | 2,823 |
| Other timing differences | 50,794 | 3,109 |
| Capital allowances in excess of depreciation | 8,536 | (6,372) |
| Tax at marginal rates | (3,901) | — |
| Unrelieved tax losses and other deductions arising in the year | — | 141,980 |
| Current tax charge for the year | 159,614 | — |

Notes to the financial statements for the year ended 31 December 2010

5 Tangible fixed assets

| | Leasehold improvements £ | Furniture & fittings £ | Equipment £ | Total £ |
|------------------------|--------------------------------|------------------------------|----------------|----------------|
| Cost | | | | |
| At 1 January 2010 | 261,890 | 53,628 | 10,615 | 326,133 |
| Additions | 6,446 | — | 15,816 | 22,262 |
| At 31 December 2010 | 268,336 | 53,628 | 26,431 | 348,395 |
| Depreciation | | | | |
| At 1 January 2010 | 24,704 | 5,083 | 1,179 | 30,966 |
| Charge for the period | 64,143 | 13,407 | 6,450 | 84,000 |
| At 31 December 2010 | 88,847 | 18,490 | 7,629 | 114,966 |
| Net book values | | | | |
| At 31 December 2010 | 179,489 | 35,138 | 18,802 | 233,429 |
| At 31 December 2009 | 237,186 | 48,545 | 9,436 | 295,167 |

6 Debtors

| | 2010 £ | 2009 £ |
|------------------------------------|----------------|-----------|
| Deferred tax asset (note 9) | 67,388 | 135,608 |
| Prepayments | 125,429 | 98,067 |
| Receivable from group undertakings | — | 230,318 |
| Other debtors | 265,720 | 49,385 |
| | 458,537 | 513,378 |

Amounts receivable from group undertakings are unsecured, interest free and repayable on demand. Other debtors includes a rental and security deposit falling due after more than one year of £52,097 (2009 - £49,385).

7 Creditors' amounts falling due within one year

| | 2010 £ | 2009 £ |
|------------------------------------|------------------|-----------|
| Current tax liability | 159,614 | — |
| Trade creditors | 33,427 | 6,093 |
| Open positions on short securities | — | 5,694 |
| Accruals | 462,702 | 86,195 |
| Payable to group undertakings | 3,704,177 | — |
| | 4,359,920 | 97,982 |

Amounts payable from group undertakings are unsecured, interest free and repayable on demand.

8 Creditors' amounts falling due in greater than one year

| | 2010 £ | 2009 £ |
|------------------------------|----------------|-----------|
| Accruals and deferred income | 171,236 | 87,225 |

Notes to the financial statements for the year ended 31 December 2010

9 Deferred tax asset

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| At 1 January 2010 | 135,608 | — |
| Prior year adjustments | (129,109) | — |
| Debit to profit and loss account – timing differences | 60,889 | 135,608 |
| At 31 December 2010 | 67,388 | 135,608 |

10 Called up share capital

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| Allotted, called up and fully paid | | |
| 4,842,021 ordinary shares of £1 each | 4,842,021 | 2,641,968 |
| | 4,842,021 | 2,641,968 |

The company issued 2,200,053 ordinary shares at £1 each in 2010

11 Reconciliation of movement in shareholders' funds

| | Share capital £ | Profit and loss account £ | 2010 £ |
|-----------------------------------|-----------------------|---------------------------------|-----------|
| Opening balance at 1 January 2010 | 2,641,968 | (538,391) | 2,103,577 |
| Issue of share capital | 2,200,053 | — | 2,200,053 |
| Profit for the year | — | 75,299 | 75,299 |
| At 31 December 2010 | 4,842,021 | (463,092) | 4,378,929 |

12 Profit and loss account

| | 2010 £ | 2009 £ |
|----------------------------|-----------|-----------|
| At 1 January 2010 | (538,391) | — |
| Profit/(loss) for the year | 75,299 | (538,391) |
| At 31 December 2010 | (463,092) | (538,391) |

13 Net cash inflow/(outflow) from operating activities

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| Operating profit/(loss) | 303,133 | (673,999) |
| Depreciation | 84,000 | 30,966 |
| (Increase) in debtors | (13,379) | (377,770) |
| Increase in creditors | 4,186,335 | 185,207 |
| Net cash inflow/(outflow) from operating activities | 4,560,089 | (835,596) |

Notes to the financial statements for the year ended 31 December 2010

14 Analysis of cash flow statement

| | 2010 £ | 2009 £ |
|----------------------------|-----------|-----------|
| Capital expenditure | | |
| Purchase of fixed assets | 22,262 | 326,133 |
| Financing | | |
| Issue of share capital | 2,200,053 | 2,641,968 |

15 Analysis of change in net funds

| | On 1 January 2010 £ | Cash flow £ | 31 December 2010 £ |
|--------------|---------------------------|----------------|--------------------------|
| Cash at bank | 1,480,239 | 6,737,880 | 8,218,119 |

16 Operating lease commitments

The annual commitments under non-cancellable operating leases were as follows

| | 2010 £ | 2009 £ |
|--------------------------------------|-----------|-----------|
| Operating leases which expire | | |
| - Within 1 year | 520,057 | — |
| - In 2-5 years | 577,500 | 98,770 |

17 Parent undertaking

The company's immediate and ultimate parent undertaking is Hudson River Trading LLC, a limited liability company incorporated in the United States of America