

# **Hudson River Trading Europe Ltd.**

## **Report and Financial Statements**

For the year ended 31 December 2015

Registered number: 06796079 (England and Wales)

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**Company information**

<b>Directors</b>	J Carroll D L Olson A Nunes
<b>Company secretary</b>	G Rachinsky
<b>Company number</b>	06796079 (England and Wales)
<b>Registered office</b>	10 <sup>th</sup> Floor Tower 42 25 Old Broad Street London EC2N 1HQ
<b>Independent auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF

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## **Strategic report**

for the year ended 31 December 2015

The directors present their strategic report for Hudson River Trading Europe Ltd. ("HRTE" or "the company") for the year ended 31 December 2015.

### **Business review**

The results for the year and financial position at the year end were considered satisfactory by the company's directors.

The company provides trade facilitation and operational support services to Hudson River Trading LLC, and operational support services to its affiliate HRT Financial LLC.

### **Principal activity**

HRTE is a private limited company incorporated under the laws of England and Wales. Hudson River Trading LLC is the majority shareholder of HRTE. HRTE was organised for the purpose of providing trade facilitation and operational support services to its parent, Hudson River Trading LLC, across various United Kingdom ("UK") and European trading venues. The company is regulated by the Financial Conduct Authority ("FCA").

### **Future developments**

Beginning January 1, 2016, the company's principal activity is trading securities and derivatives in European markets utilizing a proprietary electronic trading system.

### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the company relate to financial risk management and are as follows:

#### *Credit risk*

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

#### *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.

#### *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.

#### *Foreign currency risk*

The company's normal business activities often occur in various currencies outside the company's functional currency, which creates exposure to fluctuations in foreign currency rates.

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

### **Capital management**

The company is authorised by the FCA and as such must continuously maintain adequate financial resources, as defined by the FCA. In order to ensure that the company meets these requirements, calculations and reporting of available financial resources is performed intra-day using the company's monitoring system.

The company has a compliance oversight function which monitors this reporting. The level of capital is reviewed on a regular basis.

## Strategic report

for the year ended 31 December 2015

### Capital management (continued)

During the year, the company has complied with its FCA financial resources requirements. At the year end, the company's financial resources totalled £33,319,362 (2014: £31,263,093).

### Key performance indicators ("KPIs")

The KPIs used by the directors to aid their management of the 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.

This report was approved by the board on 11 April 2016 and signed on its behalf.



J Carroll  
Director

## **Directors' report**

for the year ended 31 December 2015

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

### **Company registration**

The company is registered in England as company number 06796079.

### **Results and dividends**

The company's profit before tax for the financial year is £2,408,602 (2014: £3,189,846). The directors did not recommend or pay a dividend during the year (2014: £nil).

### **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

J Carroll  
D L Olson  
A Nunes

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic and Directors' Reports 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 International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") 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 these 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 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.

## **Directors' report**

for the year ended 31 December 2015

### **Pillar 3 Disclosures**

The disclosures to comply with Pillar 3 of the FCA Capital Requirements Directive are publicly available at our registered office at 10<sup>th</sup> Floor, Tower 42, 25 Old Broad Street, London, EC2N 1HQ.

### **Compliance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013**

As the company is an investment firm under the Capital Requirements Directive IV, with effect from 1 January 2014, it needs to comply with the disclosure requirements stipulated by the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The required information is set out in note 10 to the financial statements.

### **Statement of disclosure of information to auditors**

Each of the directors confirm that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all steps that he ought to have taken as a director in order to make himself 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.

### **Independent auditors**

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

Signed on behalf of the board:



J. Carroll  
Director

Approved by the board on: 11 April 2016

## **Independent auditors' report to the members of Hudson River Trading Europe Ltd.**

for the year ended 31 December 2015

We have audited the financial statements of Hudson River Trading Europe Ltd. for the year ended 31 December 2015 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the EU.

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 auditors' 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 3, 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**

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. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### **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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; 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.



**Independent auditors' report to the members of Hudson River Trading Europe Ltd.**  
for the year ended 31 December 2015

**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 by the company, 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.

*Ernst & Young LLP*

James Bateman (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
Statutory Auditor  
London

Date: 15/4/16

## Statement of comprehensive income

for the year ended 31 December 2015

	Notes	2015 £	2014 £
Revenue	5	14,482,450	11,087,940
Administrative expenses		(13,058,618)	(10,036,172)
Other operating income	6	<u>978,163</u>	<u>2,094,204</u>
Operating profit		2,401,995	3,145,972
Finance income		<u>6,607</u>	<u>43,874</u>
Profit before tax		2,408,602	3,189,846
Income tax expense	9	(354,384)	(381,002)
Profit for the financial year		<u>2,054,218</u>	<u>2,808,844</u>
Other comprehensive income			
Exchange differences on translation of foreign operations		2,051	(26,429)
Total comprehensive income for the year, net of income tax		<u>2,056,269</u>	<u>2,782,415</u>

The notes on pages 11 to 32 form an integral part of the financial statements.

# Statement of financial position for the year ended 31 December 2015

		2015	2014	As at 1
	Notes	£	£	January 2014
				£
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	30,069	47,619	47,462
Other receivables	12	92,275	—	—
Deferred tax assets	9	489,253	315,410	301,078
Total non-current assets		611,597	363,029	348,540
<b>Current assets</b>				
Trade and other receivables	13	4,093,858	4,556,690	611,077
Financial assets at fair value through profit or loss	14	14,244,900	14,101,684	23,714
Cash and bank balances	15	26,661,905	20,438,645	33,786,381
Total current assets		45,000,663	39,097,019	34,421,172
<b>Total assets</b>		<b>45,612,260</b>	<b>39,460,048</b>	<b>34,769,712</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Issued capital	16	27,535,671	27,535,671	26,984,958
Share premium	16	18,901	18,901	—
Translation reserve		(6,971)	(9,022)	17,407
Retained earnings		5,771,761	3,717,543	908,699
Total capital and reserves		33,319,362	31,263,093	27,911,064
<b>Non-current liabilities</b>				
Other financial liabilities	17	1,232,301	788,152	599,891
Total non-current liabilities		1,232,301	788,152	599,891
<b>Current liabilities</b>				
Trade and other payables	18	10,545,629	7,069,239	6,244,358
Current tax liabilities		497,374	261,783	14,399
Financial liabilities at fair value through profit or loss	14	17,594	77,781	—
Total current liabilities		11,060,597	7,408,803	6,258,757
<b>Total liabilities</b>		<b>12,292,898</b>	<b>8,196,955</b>	<b>6,858,648</b>
<b>Total equity and liabilities</b>		<b>45,612,260</b>	<b>39,460,048</b>	<b>34,769,712</b>

Approved and authorised by the Board of Directors at a meeting on 11 April 2016 and signed on its behalf by:

  
J. Carroll  
Director

The notes on pages 11 to 32 form an integral part of the financial statements.

# Statement of changes in equity

for the year ended 31 December 2015

	Share capital £	Share premium £	Translation reserve £	Retained earnings £	Total £
Balance at 1 January 2014	26,984,958	—	17,407	908,699	27,911,064
Profit for the financial year	—	—	—	2,808,844	2,808,844
Translation differences	—	—	(26,429)	—	(26,429)
Issue of ordinary shares	550,713	18,901	—	—	569,614
Balance at 31 December 2014	<u>27,535,671</u>	<u>18,901</u>	<u>(9,022)</u>	<u>3,717,543</u>	<u>31,263,093</u>
Profit for the financial year	—	—	—	2,054,218	2,054,218
Translation differences	—	—	2,051	—	2,051
Balance at 31 December 2015	<u>27,535,671</u>	<u>18,901</u>	<u>(6,971)</u>	<u>5,771,761</u>	<u>33,319,362</u>

The notes on pages 11 to 32 form an integral part of the financial statements.

# Statement of cash flows

for the year ended 31 December 2015

	2015 £	2014 £
<b>Operating activities</b>		
Profit before tax	2,408,602	3,189,846
Non-cash adjustments to reconcile profit before tax to net cash flows:		
Depreciation	17,550	18,086
Loss on disposals of property, plant and equipment	—	474
Finance income	(6,607)	(43,874)
Working capital adjustments:		
Increase in other receivables	(92,275)	—
(Increase)/Decrease in trade and other receivables	999,550	(2,131,986)
Increase in financial assets at fair value through profit or loss	(143,216)	(14,077,970)
Increase in other financial liabilities	444,149	188,261
Increase in trade and other payables	3,476,390	824,881
Increase/(Decrease) in financial liabilities at fair value through profit or loss	(60,187)	77,781
Net cash from/(used in) operating activities	7,043,956	(11,954,501)
Interest received	6,607	43,874
Income tax paid	(291,101)	(98,011)
Net cash from/(used in) operating activities	6,759,462	(12,008,638)
<b>Investing activities</b>		
Payments for property, plant and equipment	—	(18,717)
Net cash used in investing activities	—	(18,717)
<b>Financing activities</b>		
Issue of share capital	—	569,614
Management of liquid resources	(536,718)	(1,863,859)
Net cash used in financing activities	(536,718)	(1,294,245)
Net increase/(decrease) in cash and cash equivalents	6,222,744	(13,321,600)
Cash and cash equivalents at 1 January	20,438,645	33,786,381
Net foreign exchange difference	516	(26,136)
Cash and cash equivalents at 31 December	26,661,905	20,438,645

## **Notes to the financial statements**

for the year ended 31 December 2015

### **1 Corporate information**

Hudson River Trading Europe Ltd. is a private limited company incorporated in the United Kingdom. Its parent and ultimate holding company is Hudson River Trading LLC. The address of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the company are described in note 5.

### **2 Basis of preparation**

The financial statements of the company have been prepared in accordance with IFRS as adopted by the European Union.

For all periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). These financial statements for the year ended 31 December 2015 are the first the company has prepared in accordance with IFRS. Refer to note 3.1 for information on how the company adopted IFRS.

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

The principal accounting policies are set out below.

### **3 Significant accounting policies**

#### **3.1 First time adoption of International Financial Reporting Standards**

These financial statements, for the year ended 31 December 2015, are the first the company has prepared in accordance with IFRS as adopted by the European Union, International Financial Reporting Interpretations Committee ("IFRIC") Interpretations and those parts of the Companies Act 2006 applicable for companies reporting under IFRS. For periods up to and including the year ended 31 December 2014, the company prepared its financial statements in accordance with UK GAAP.

Accordingly, the company has prepared financial statements which comply with IFRS as adopted by the European Union applicable for periods ending on or after 31 December 2015, together with the comparative period data as at and for the year ended 31 December 2014, as described in the summary of significant accounting policies. In preparing these financial statements, the company's opening statement of financial position was prepared as at 1 January 2014, the company's date of transition to IFRS. This note explains the principal adjustments made by the company in restating its UK GAAP financial statements, including the statement of financial position as at 1 January 2014 and the financial statements as at and for the year ended 31 December 2014.

The transition from UK GAAP to IFRS had no impact on the statement of financial position, statement of comprehensive income or statement of cash flows. Refer to note 22 for reconciliation of equity from UK GAAP to IFRS as of 1 January 2014 and for the year ended 31 December 2014, and reconciliation of comprehensive income for the year ended 31 December 2014.

## Notes to the financial statements

for the year ended 31 December 2015

### 3 Significant accounting policies (continued)

#### 3.1 First time adoption of International Financial Reporting Standards (continued)

##### Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The company has applied the following exemptions:

- The company has applied the transitional provision in IFRIC 4 Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.
- The company has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the company has not restated for borrowing costs capitalised under UK GAAP on qualifying assets prior to the date of transition to IFRS.

#### 3.2 Cash and bank balances

Cash and bank balances includes cash in hand, deposits held at call with banks and clearing brokers and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

#### 3.3 Fair value measurements

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## Notes to the financial statements

for the year ended 31 December 2015

### 3 Significant accounting policies (continued)

#### 3.4 Financial assets and financial liabilities

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

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

##### 3.4.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### 3.4.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.



## Notes to the financial statements

for the year ended 31 December 2015

### 3 Significant accounting policies (continued)

#### 3.4.3 Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other operating income' line item.

The company provides trade facilitation and operational support services to its parent, Hudson River Trading LLC, across various UK and European trading exchanges, and operational support services to its affiliate, HRT Financial LLC. Any net trading gains and losses related to financial instruments are transferred to Hudson River Trading LLC, other than any net trading gains and losses related to financial instruments in the company's non-trading book. Net trading gains and losses related to financial instruments in the company's non-trading book are recognised in 'other operating income'.

## Notes to the financial statements

for the year ended 31 December 2015

### 3 Significant accounting policies (continued)

#### 3.4.4 Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

#### 3.4.5 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

##### i. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

## Notes to the financial statements

for the year ended 31 December 2015

### 3 Significant accounting policies (continued)

#### 3.4.5 Financial liabilities (continued)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other operating income' line item.

##### ii. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### iii. Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### 3.4.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3.5 Revenue recognition

Revenue represents fee income derived from trade facilitation and operational support services to Hudson River Trading LLC and HRT Financial LLC. Both companies are organized in the United States of America. Revenue is recognised on an accruals basis. The geographical split has been set out in note 5.

Dividend income is recognised when the company's right to receive payment is established.

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents.

### 3.6 Cash held as collateral

Cash held as collateral includes deposits with the company's clearing firms and has been classified within trade and other receivables.

### 3.7 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method.

## Notes to the financial statements

for the year ended 31 December 2015

### 3 Significant accounting policies (continued)

#### 3.8 Other operating income

Other operating income represents exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they are translated on initial recognition during the period or previous periods, and income from the company's internally held portfolio of investment securities.

#### 3.9 Finance income

Finance income represents interest earned from cash held at banks and prime brokerage accounts and is recorded on an accruals basis.

#### 3.10 Income taxes

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

##### 3.10.1 Current tax

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

##### 3.10.2 Deferred tax

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## Notes to the financial statements

for the year ended 31 December 2015

### 3 Significant accounting policies (continued)

#### 3.11 Tangible non-current assets

##### 3.11.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in calculation of depreciation

•	Leasehold improvements	over the period of the lease
•	Furniture	25% per annum
•	Equipment	
	- office and warehouse equipment	33.33% per annum
	- communication equipment	14.29% per annum
	- computer hardware and monitors	25% per annum

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### 3.11.2 Impairment of tangible assets

At the end of each reporting period, the company reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## Notes to the financial statements

for the year ended 31 December 2015

### 3 Significant accounting policies (continued)

#### 3.11.2 Impairment of tangible assets (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 3.12 Foreign currency exchange

Transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

#### 3.13 Foreign branches

The assets and liabilities of the foreign branches of Hudson River Trading Europe Ltd. are translated into British Pound Sterling using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the rates applicable at the end of each month in which the transaction occurred. Exchange differences, if any, are recognised in other comprehensive income and accumulated in the translation reserve. Once the disposal of a foreign operation occurs, all of the exchange differences accumulated in the translation reserve in respect of that operation are reclassified to profit or loss.

#### 3.14 Provisions

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

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

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

## Notes to the financial statements

for the year ended 31 December 2015

### 3 Significant accounting policies (continued)

#### 3.15 Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

#### 3.17 Adoption of new and revised standards

a) New and amended standards adopted by the company:

As already disclosed in note 3.1 above, this is the first period the company has adopted IFRS. The effect of this adoption is disclosed in note 22.

b) New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2015 and not early adopted:

IFRS 9 Financial instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The company has yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018.

IFRS 15 Revenue from contracts with customers replaces all existing revenue requirements in IFRS, including, but not limited to IAS 18. IFRS 15 was issued in September 2015. IFRS 15 outlines the principles an entity must apply to measure and recognise revenue, with the core principle being that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 is more prescriptive than current IFRS and provides more application guidance. The company has yet to assess IFRS 15's full impact and intends to adopt IFRS 15 no later than the accounting period beginning on or after 1 January 2018.

There are no other IFRS or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the company.

## Notes to the financial statements

for the year ended 31 December 2015

### 4 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note 4.2 below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### 4.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 4.2 Fair value measurements and valuation processes

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 14 for further discussion.

### 5 Revenue

There is only one segment line, trade facilitation and operational support services. A geographical analysis of revenue is as follows:

	2015 £	2014 £
European Union	14,364,479	11,039,795
Americas	117,971	48,145
Total	<u>14,482,450</u>	<u>11,087,940</u>

### 6 Other operating income

	2015 £	2014 £
Net gain on securities	527,875	1,963,207
Dividends	213,417	87,372
Foreign exchange gains	236,871	43,625
	<u>978,163</u>	<u>2,094,204</u>

### 7 Profit before tax

Profit before tax is stated after charging:

	2015 £	2014 £
Included in administrative expenses:		
Auditors' remuneration		
- Audit services	44,343	35,315
- Audit-related assurance services	7,500	17,658
- Taxation compliance services	10,775	—
Depreciation	17,550	18,086
Loss on disposal of property, plant and equipment	—	474
Minimum lease payments recognised as an operating lease expense	4,235,162	2,990,118



**Notes to the financial statements**

for the year ended 31 December 2015

**8 Employee benefits expense**

	2015	2014
	£	£
Included in administrative expenses:		
Wages and salaries	4,574,404	2,932,860
Social security costs	<u>631,575</u>	<u>404,917</u>
	<u><b>5,205,979</b></u>	<u><b>3,337,777</b></u>

The above staff costs pertain to an average of 11 employees during the year (2014 – 10). The directors' aggregate remuneration in respect to qualifying services performed while appointed as director (salary and benefits) was £792,709 (2014 - £832,369), of which £10,000 was borne by RDC I, Inc., the manager of the company. Directors' aggregate remuneration in respect of qualifying services while appointed as director include £782,709 (2014 - £832,369) paid in respect of the highest paid director.

**9 Income taxes****(a) Taxation**

	2015	2014
	£	£
<b>Current income tax:</b>		
United Kingdom corporation tax based on the results for the year as adjusted for taxation purposes at 20.25% (2014 – 21.5%)	448,470	251,050
Adjustments in respect of previous periods	(20,086)	72,467
Foreign tax	<u>99,843</u>	<u>71,817</u>
<b>Total current income tax charge</b>	<u><b>528,227</b></u>	<u><b>395,334</b></u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(175,228)	(14,332)
Adjustments in respect of previous periods	<u>1,385</u>	<u>—</u>
<b>Total deferred tax</b>	<u><b>(173,843)</b></u>	<u><b>(14,332)</b></u>
<b>Taxation charge for the year</b>	<u><b>354,384</b></u>	<u><b>381,002</b></u>

**Factors affecting the tax charge for the year:**

Effective 1 April 2015, the standard rate of United Kingdom corporation tax decreased from 21% to 20%. Further changes to the United Kingdom corporation tax rate were announced in the November 2015 budget to reduce the rate to 19% to apply from 1 April 2017 and to 18% to apply from 1 April 2020. As this reduced rate change has been substantially enacted at the balance sheet date, the relevant deferred tax balances have been re-measured at 20% on the basis that it is anticipated that the company's deferred tax balances will unwind at this rate.

As part of the 2016 Budget on 16 March 2016, a further reduction in the rate of corporation tax was announced to reduce the corporation tax rate to 17% from 1 April 2020. As the provisions in the Budget have not been substantively enacted at the balance sheet date the deferred tax balances have not been calculated with reference to this rate. The maximum effect on deferred tax of the reduction in the UK corporation tax rate to 17% is expected to be £78,388.

# Notes to the financial statements

for the year ended 31 December 2015

## 9 Income taxes (continued)

### (b) Reconciliation of total tax charge

The total tax charge for the year is lower (2014 – lower) than the corporation tax effective rate of 20.25% (2014 – 21.5%). The differences are set out below.

	2015 £	2014 £
Profit before tax	<u>2,408,602</u>	<u>3,189,846</u>
Corporation tax at 20.25% (2014 – 21.5%)	487,742	685,817
Effects of:		
Adjustments to tax charge in respect of prior periods	(18,702)	72,467
Income not taxable for tax purposes	(151,576)	(400,271)
Effect of higher taxes on overseas earnings	34,730	22,774
Change in tax laws and rates	<u>2,190</u>	<u>215</u>
Taxation charge for the year	<u>354,384</u>	<u>381,002</u>

### (c) Deferred tax provision

	2015 £	2014 £
Capital allowances in excess of depreciation	9,674	7,848
Other short term temporary differences	<u>479,579</u>	<u>307,562</u>
	<u>489,253</u>	<u>315,410</u>

### Deferred tax asset

	£	£
At 1 January	315,410	301,078
Credit to profit and loss account – temporary differences	<u>173,843</u>	<u>14,332</u>
At 31 December	<u>489,253</u>	<u>315,410</u>

**Notes to the financial statements**

for the year ended 31 December 2015

**10 Capital Requirements (Country-by-Country Reporting) Regulations 2013**

The disclosure requirements stipulated by the Capital Requirements (Country-by-Country Reporting) Regulations 2013 are as follows:

Location	Revenue £	Number of full time employees	Profit on ordinary activities before taxation £	Taxation paid £	Subsidies received
UK	10,955,903	11	2,079,642	230,498	—
Germany	1,627,539	—	151,153	29,466	—
Italy	618,041	—	56,817	13,170	—
Spain	403,928	—	37,481	6,994	—
Sweden	435,581	—	46,317	7,852	—
Switzerland	441,458	—	37,192	3,121	—

The principal activity of all of the above branches is to provide trade facilitation and operational support services to the parent company, Hudson River Trading LLC.

**11 Property, plant and equipment**

	Leasehold improvements £	Furniture £	Equipment £	Total £
<b>Cost</b>				
Balance at 1 January 2014	23,466	61,238	118,500	203,204
Additions	—	4,919	13,798	18,717
Disposals	—	—	(1,991)	(1,991)
<b>Balance at 31 December 2014</b>	<b>23,466</b>	<b>66,157</b>	<b>130,307</b>	<b>219,930</b>
Additions	—	—	—	—
Disposals	—	—	—	—
<b>Balance at 31 December 2015</b>	<b>23,466</b>	<b>66,157</b>	<b>130,307</b>	<b>219,930</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2014	2,196	54,363	99,183	155,742
Charge for the year	4,726	2,599	10,761	18,086
Disposals	—	—	(1,517)	(1,517)
<b>Balance at 31 December 2014</b>	<b>6,922</b>	<b>56,962</b>	<b>108,427</b>	<b>172,311</b>
Charge for the year	4,727	3,132	9,691	17,550
Disposals	—	—	—	—
<b>Balance at 31 December 2015</b>	<b>11,649</b>	<b>60,094</b>	<b>118,118</b>	<b>189,861</b>
<b>Net book value</b>				
At 31 December 2014	16,544	9,195	21,880	47,619
At 31 December 2015	11,817	6,063	12,189	30,069

**12 Other receivables**

	2015 £	2014 £
Security deposit – long term	92,275	—

## Notes to the financial statements

for the year ended 31 December 2015

### 13 Trade and other receivables

	2015	2014
	£	£
Trade receivables	148,701	284,509
Collateral held at an exchange	2,400,577	1,863,859
Amounts owed by parent undertaking	1,347,759	1,940,476
Amounts owed by group undertakings	19,338	128,908
Other receivables	745	92,381
Prepayments	176,738	246,557
	<u>4,093,858</u>	<u>4,556,690</u>

Amounts owed by group and parent undertakings are unsecured, interest free and repayable on demand. Other receivables includes a rental and security deposit falling due after more than one year of £nil (2014 – £92,275).

### 14 Financial risk management

The company has exposure to the following risks from its holding of financial instruments: market risk, credit risk and liquidity risk. This note presents information about the company's exposure to each of these risks, its policies and processes for measuring and managing risk, and the company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify the risks faced by the company, to set appropriate risk limits and controls, and to monitor such risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

#### Market risk

Market risk is the potential for changes in the value of financial assets and liabilities due to market changes, including interest and currency rate movements as well as fluctuations in the prices of financial assets and liabilities. Market risk is directly impacted by the volatility and liquidity in the markets in which the related underlying financial instruments are traded.

Interest rate risk is the risk of loss due to the fluctuations of interest risk.

Foreign exchange risk is the risk of loss due to the fluctuation of exchange rates. The valuation of the portfolio is subject to foreign exchange risk arising from non-British Pound Sterling financial assets.

Gains and losses relating to trading assets and liabilities net of commissions, direct trading related expenses, interest income and expenses, and foreign exchange differences on all trading assets and liabilities are transferred to Hudson River Trading LLC.

In respect of non-trading assets and liabilities denominated in foreign currencies, the company periodically reviews its net exposure to ensure it is kept to an acceptable level. The company executes foreign currency spot trades on an as needed basis.

## Notes to the financial statements

for the year ended 31 December 2015

### 14 Financial risk management (continued)

#### Sensitivity analysis – market risk

All of the company's financial assets and liabilities are listed on recognised exchanges. As a result of the agreement with Hudson River Trading LLC, whereby the market risks in the trading book are transferred to Hudson River Trading LLC, fluctuations in market prices at 31 December 2015 would not have had a material impact on the operating profit of the company.

#### Credit risk

Credit risk is the risk of financial loss due to the failure of a counterparty to perform according to the terms of a contract. The credit risk associated with exchange-traded financial assets and liabilities, such as futures, is mitigated by the cash held at the company's clearing firms. The company currently clears these exchange traded positions through highly rated clearing brokers.

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to non-group credit risk at 31 December 2015 was as follows:

	2015	2014
	£	£
Amounts owed by brokers	12,990,524	11,645,359
Cash at commercial banks	16,221,405	11,105,022
	<u>29,211,929</u>	<u>22,750,381</u>

The company has no financial assets which are past due or impaired. Cash at commercial banks is held at banks with investment grade credit ratings, as rated by Standard & Poor's.

#### Liquidity risk

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

Substantially all of the company's financial liabilities are payable on demand or in accordance with normal trade settlement cycles; therefore no separate disclosure of contractual maturities is made within these financial statements.

#### Currency risk

The company's normal business activities often occur in various currencies outside the company's functional currency, which creates exposure to fluctuations in foreign currency rates.

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

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the company's performance to developments affecting a particular industry. The company believes the concentration of risk is limited as its principal activities are spread over different geographic regions and counterparties.

**Notes to the financial statements**

for the year ended 31 December 2015

**14 Financial risk management (continued)****Fair value of financial instruments**

The company has adopted the amendment to IFRS 7 for financial instruments that are recorded on the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the company's assets and liabilities that are measured at fair value:

	2015 Level1 £	2015 Total £	2014 Level 1 £	2014 Total £
<b>Assets</b>				
Common stocks (listed)	14,244,900	14,244,900	14,101,684	14,101,684
	<u>14,244,900</u>	<u>14,244,900</u>	<u>14,101,684</u>	<u>14,101,684</u>
	2015 Level1 £	2015 Total £	2014 Level 1 £	2014 Total £
<b>Liabilities</b>				
Common stocks (listed)	17,594	17,594	77,781	77,781
	<u>17,594</u>	<u>17,594</u>	<u>77,781</u>	<u>77,781</u>

The company's common stock positions are traded in active markets and are recorded at the closing price published by the listing exchange. They are recorded as financial assets at fair value through profit or loss on the balance sheet.

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1. Instruments included in Level 1 comprise long or short common stock positions classified as financial assets or liabilities at fair value through profit and loss.

**15 Cash and bank balances**

	2015	2014
Cash at banks and on hand	<u>26,661,905</u>	<u>20,438,645</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

# Notes to the financial statements

for the year ended 31 December 2015

## 16 Issued capital and reserves

	2015	2014
<b>Authorised shares</b>		
Ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
	<b>Shares</b>	<b>£</b>
<b>Ordinary shares issued and fully paid</b>		
At 1 January 2014	26,984,958	26,984,958
Increase on 1 January 2014 because of issuance of ordinary shares	<u>550,713</u>	<u>550,713</u>
At 31 December 2014 and 31 December 2015	<u>27,535,671</u>	<u>27,535,671</u>
		<b>£</b>
<b>Share premium</b>		
At 1 January 2014		—
Increase on 1 January 2014 because of issuance of ordinary shares		<u>18,901</u>
At 31 December 2014 and 31 December 2015		<u>18,901</u>

## 17 Other financial liabilities

	2015	2014
	<b>£</b>	<b>£</b>
Accruals	1,201,543	736,888
Deferred income	<u>30,758</u>	<u>51,264</u>
	<u>1,232,301</u>	<u>788,152</u>

## 18 Current liabilities

	2015	2014
	<b>£</b>	<b>£</b>
Trade payables	873,361	204,199
Amounts owed to parent undertaking	4,542,198	3,483,507
VAT payable	156,557	58,372
Accruals and deferred income	<u>4,973,513</u>	<u>3,323,161</u>
	<u>10,545,629</u>	<u>7,069,239</u>

Amounts owed to the parent undertaking are unsecured, interest free and repayable on demand.

## 19 Capital management

The company is authorised by the FCA and as such must continuously maintain adequate financial resources, as defined by the FCA. In order to ensure that the company meets these requirements, calculations and reporting of available financial resources is performed intra-day using the firm's monitoring system. The company has a compliance oversight function which monitors this reporting.

During the year, the company has complied with its FCA financial resources requirements. At the year end, the company's financial resources totalled £33,319,362 (2014: £31,263,093).

## Notes to the financial statements

for the year ended 31 December 2015

### 20 Operating lease arrangements

The minimum lease payments under non-cancellable operating lease commitments are as follows:

	2015 £	2014 £
- Not later than one year	2,025,072	2,050,680
- Later than one year and not later than five years	494,491	667,992
	<u>2,519,563</u>	<u>2,718,672</u>

### 21 Related party transactions

The company paid £54,689,475 (2014: £35,048,875) to Hudson River Trading LLC for trading gains and losses related to financial instruments held by the company, net of trade facilitation and operational support service fees under a services agreement. As of the balance sheet date, £4,542,198 (2014: £3,483,507) was due to and £1,347,759 (2014: £1,940,476) was due from Hudson River Trading LLC. These balances were remitted before the issuance of these financial statements.

The company received £155,939 (2014: £nil) from HRT Financial LLC for support services. As of the balance sheet date, £10,178 (2014: £48,145) was due from HRT Financial LLC. This receivable was remitted before the issuance of these financial statements. HRT Financial LLC and Hudson River Trading Europe Ltd. are under common control.

As of the balance sheet date, £nil (2014: £72,725) was due from Tucana Bay Ltd. Tucana Bay Ltd. and Hudson River Trading Europe Ltd. are under common control.

As of the balance sheet date, £9,160 (2014: £nil) was due from HRTT LLC related to an expenditure that was paid on HRTT LLC's behalf. HRTT LLC and Hudson River Trading Europe Ltd. are under common control.

The remuneration of directors and other members of key management personnel during the year was as follows:

	2015 £	2014 £
Short-term benefits	<u>792,709</u>	<u>832,369</u>



**Notes to the financial statements**

for the year ended 31 December 2015

**22 First-time adoption of IFRS****Reconciliation of equity as at 1 January 2014 (date of transition to IFRS)**

	UK GAAP	Remeasurements	IFRS as at 1 January 2014
	£	£	£
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	47,462	—	47,462
<b>Current assets</b>			
Trade and other receivables	611,077	—	611,077
Deferred tax asset	301,078	—	301,078
Financial assets at fair value through profit or loss	23,714	—	23,714
Cash and bank balances	33,786,381	—	33,786,381
<b>Total assets</b>	<b>34,769,712</b>	<b>—</b>	<b>34,769,712</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	26,984,958	—	26,984,958
Translation reserve	17,407	—	17,407
Retained earnings	908,699	—	908,699
<b>Total equity</b>	<b>27,911,064</b>	<b>—</b>	<b>27,911,064</b>
<b>Non-current liabilities</b>			
Other financial liabilities	599,891	—	599,891
	<b>599,891</b>	<b>—</b>	<b>599,891</b>
<b>Current liabilities</b>			
Trade and other payables	6,244,358	—	6,244,358
Current tax liabilities	14,399	—	14,399
<b>Total current liabilities</b>	<b>6,258,757</b>	<b>—</b>	<b>6,258,757</b>
<b>Total liabilities</b>	<b>6,858,648</b>	<b>—</b>	<b>6,858,648</b>
<b>Total equity and liabilities</b>	<b>34,769,712</b>	<b>—</b>	<b>34,769,712</b>

**Notes to the financial statements**

for the year ended 31 December 2015

**22 First-time adoption of IFRS (continued)****Reconciliation of equity as at 31 December 2014**

	UK GAAP	Remeasurements	IFRS as at 31 December 2014
	£	£	£
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	47,619	—	47,619
<b>Current assets</b>			
Trade and other receivables	4,556,690	—	4,556,690
Deferred tax asset	315,410	—	315,410
Financial assets at fair value through profit or loss	14,101,684	—	14,101,684
Cash and bank balances	20,438,645	—	20,438,645
<b>Total assets</b>	<b>39,460,048</b>	<b>—</b>	<b>39,460,048</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	27,535,671	—	27,535,671
Share premium	18,901	—	18,901
Translation reserve	(9,022)	—	(9,022)
Retained earnings	3,717,543	—	3,717,543
<b>Total equity</b>	<b>31,263,093</b>	<b>—</b>	<b>31,263,093</b>
<b>Non-current liabilities</b>			
Other financial liabilities	788,152	—	788,152
	<b>788,152</b>	<b>—</b>	<b>788,152</b>
<b>Current liabilities</b>			
Trade and other payables	7,069,239	—	7,069,239
Current tax liabilities	261,783	—	261,783
Financial liabilities at fair value through profit or loss	77,781	—	77,781
	<b>7,408,803</b>	<b>—</b>	<b>7,408,803</b>
<b>Total liabilities</b>	<b>8,196,955</b>	<b>—</b>	<b>8,196,955</b>
<b>Total equity and liabilities</b>	<b>39,460,048</b>	<b>—</b>	<b>39,460,048</b>

**Notes to the financial statements**

for the year ended 31 December 2015

**22 First-time adoption of IFRS (continued)****Reconciliation of total comprehensive income for the year ended 31 December 2014**

	UK GAAP	Remeasurements	IFRS for the year ended 31 December 2014
	£	£	£
<b>Revenue</b>	11,087,940	—	11,087,940
Administrative expenses	(10,036,172)	—	(10,036,172)
Other operating income	2,094,204	—	2,094,204
<b>Operating profit</b>	3,145,972	—	3,145,972
Finance income	43,874	—	43,874
<b>Profit before tax</b>	3,189,846	—	3,189,846
Income tax expense	(381,002)	—	(381,002)
<b>Profit for the financial year</b>	<u>2,808,844</u>	<u>—</u>	<u>2,808,844</u>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	(26,429)	—	(26,429)
<b>Total comprehensive income for the year, net of income tax</b>	<u>2,782,415</u>	<u>—</u>	<u>2,782,415</u>

**23 Events after the reporting period**

During the beginning of 2016, the company issued 1,655,190 ordinary shares to Hudson River Trading LLC and 33,779 ordinary shares to RDC I, Inc. at a price per share of £1.21004.

Beginning January 1, 2016, the company's principal activity is trading securities and derivatives in European markets utilizing a proprietary electronic trading system. On January 1, 2016, the company purchased £1,734,733 of computer and networking equipment from Hudson River Trading LLC and signed a licensing agreement with Hudson River Trading LLC for the use of certain intellectual property.