Hudson River Trading Europe Ltd.

Report and Financial Statements

For the year ended 31 December 2019

Registered number: 06796079 (England and Wales)

Company information

Directors	J Carroll I Jack A Nunes
Company secretary	G Rachinsky
Company number	06796079 (England and Wales)
Registered office	2nd Floor 12 Steward Street London United Kingdom E1 6FQ
Independent auditors	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

Contents

Strategic report
for the year ended 31 December 2019

The directors present their strategic report for Hudson River Trading Europe Ltd. ("HRTE" or "the company") for the year ended 31 December 2019.

Principal activity
The company's principal activity is trading securities and derivatives in European markets for proprietary purposes. The company is regulated by the Financial Conduct Authority ("FCA").

Business review and future developments
During 2019, the company took steps to minimize the impact of the United Kingdom's exit ("Brexit") from the European Union ("EU"). Included in this course of action was the discontinuation during the year of four foreign branches which were located within the EU. Further, the company implemented a risk management framework to assess and mitigate the risks, both near term and long term, associated with Brexit. The directors will continue to monitor the situation and will take any action deemed necessary in a timely manner.

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.

During the year, the company has complied with its FCA financial resources requirements. During the year, capital was decreased by £36,667,383 (2018: increased by £62,683,925) through a net decrease of 36,667,383 (2018: increase of 60,811,458) ordinary shares. The shares were withdrawn at an average of £1.00 (2018: £1.03) per share. At year end, the company's financial resources totalled £66,674,955 (2018: £104,911,136).

Future outlook
Subsequent to the financial statement reporting date of 31 December 2019, the rapid spreading of the COVID-19 Coronavirus ("Covid-19") and the resulting changes in the market environment have introduced new challenges and risks to the company. The directors' main priority is the well-being of the staff who have, to date, operated effectively in a remote working environment. As a technology-driven organisation, the company already had well-established remote working policies and disaster recovery plans which had been robustly tested. These have been implemented as a result of Covid-19 and performed as planned during the resulting market volatility. The directors do not under-estimate the fact that this may need to be sustained for a prolonged period of time and remain vigilant to any improvements that can be made to ease remote working.

Principal risks and uncertainties
The principal risks and uncertainties faced by the company relate to financial risk management. A description of the company's principle risks and uncertainties and the company's financial risk management policies are set out in Note 12 to the financial statements.

As discussed above, the rapid spreading of Covid-19 and the resulting changes in the market environment have introduced new challenges and risks to the company. These are discussed further in note 21 to the financial statements.

Strategic report
for the year ended 31 December 2019

Key performance indicators ("KPIs")

The KPIs used by the directors to aid their management of the company include trading income, cost management and cash flow forecasts. However, given the nature of the business, the directors are of the opinion that inclusion of an 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 23 April 2020 and signed on its behalf by:

DocuSigned by:
Jason Carroll
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J Carroll
Director

Directors' report

for the year ended 31 December 2019

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

Company registration

The company is registered in England as company number 06796079.

Results

The company's loss before tax from continuing operations for the financial year is £2,383,739 (2018: profit before tax from continuing operations £3,772,285).

Going concern assessment

In reaching the conclusion that the directors are satisfied that the going concern basis of accounts preparation is appropriate, the directors have prepared a detailed forecast which shows increased profitability and an excess of liquid resources to meet the company's liabilities as they fall due. Additionally, as part of the company's business planning process, financial projections have been prepared extending to April 2021 which show profitability. The potential additional impact of Covid-19 to the company's business is considered a significant risk to the company. In the furthest extreme stress scenario, if an all-electronic trading suspension occurs from 23 April 2020, the company's projections demonstrate the company's ability to maintain its liquidity and reduce its operating expenses under this severe stress scenario until the pandemic resides and the markets are reopened. These are discussed in detail in note 21 to the financial statements.

The directors note that the company had current assets of £111.8 million at 31 December 2019. This includes £111.7 million of liquid resources, of which £46.3 million is cash and bank balances. Current liquid resources of £111.7 million available to the company are significantly greater than projected fixed costs through April 2021. Further, £27.7 million of amounts receivable included in the cash and bank balances is at clearing brokers and would serve as a first call on the company's capital in the event of any trading losses incurred by the company. The company trades in liquid financial markets and has numerous pre-trade and post trade controls in place to limit the losses arising from any particular set of trades or a particular trading strategy. Having taken this into account, the directors are satisfied that the going concern basis of accounts preparation is appropriate.

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
A Nunes
I Jack

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 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:

Directors' report
for the year ended 31 December 2019

- 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.

Pillar 3 Disclosures

The disclosures to comply with Pillar 3 of the FCA Capital Requirements Directive are publicly available at our registered office at 2nd Floor, Steward Building, 12 Steward Street, London, E1 6FQ.

Strategic report

The company has chosen in accordance with s.414C(11) Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report. It has done so in respect of discussion of future developments.

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:

DocuSigned by:

Jason Carroll

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J Carroll

Director

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

for the year ended 31 December 2019

Opinion

We have audited the financial statements of Hudson River Trading Europe Ltd. ('company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 21 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter

We draw attention to Note 21 of the financial statements, which describes the disruption the Company is facing as a result of Covid-19 and which provides the directors' considerations relating to the key risks relevant to the company. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

for the year ended 31 December 2019

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent 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

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Poppy Proborespati (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 24 April 2020

Statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £	2018 £
Continuing operations			
Income			
Trading income, net		**56,623,162**	83,100,756
Finance income		**384,036**	194,888
Other operating income, net	5	**4,223,087**	4,499,885
Total income		**61,230,285**	87,795,529
Expenses			
Brokerage, exchange and clearance fees		**25,421,287**	36,489,059
Administrative expenses		**38,192,737**	47,534,185
Total expenses		**63,614,024**	84,023,244
(Loss)/profit before tax from continuing operations		**(2,383,739)**	3,772,285
Income tax benefit/(expense)	8	**804,475**	(678,403)
(Loss)/profit for the financial year from continuing operations		**(1,579,264)**	3,093,882
Discontinued operations			
Profit for the financial year, net of income tax from discontinued operations	20	**47,875**	215,272
(Loss)/profit for the financial year		**(1,531,389)**	3,309,154
Other comprehensive income			
Exchange differences on translation of foreign operations		**3,734**	13,156
Total comprehensive (loss)/income for the year, net of income tax		**(1,527,655)**	3,322,310

The notes on pages 11 to 34 form an integral part of the financial statements.

Statement of financial position

for the year ended 31 December 2019

	Notes	2019 £	2018 £
ASSETS			
Non-current assets			
Property, plant and equipment	9	**763,765**	2,606,574
Other non-current assets	10	**821,207**	182,588
Deferred tax assets	8	**34,012**	34,878
Total non-current assets		**1,618,984**	2,824,040
Current assets			
Current tax receivable		**30,732**	7,752
Trade and other receivables	11	**845,344**	1,845,947
Financial assets at fair value through profit or loss	12	**64,574,389**	79,320,601
Cash and bank balances	13	**46,326,273**	64,944,648
Total current assets		**111,776,738**	146,118,948
Assets held for discontinued operations		**373,571**	828,061
Total assets		**113,769,293**	149,771,049
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	14	**53,368,716**	90,036,099
Share premium	14	**2,246,125**	2,246,125
Translation reserve		**4,239**	41,648
Retained earnings		**11,055,875**	12,587,264
Total capital and reserves		**66,674,955**	104,911,136
Non-current liabilities			
Deferred tax liabilities	8	**237,446**	716,062
Other financial liabilities	15	**1,656,433**	1,523,745
Total non-current liabilities		**1,893,879**	2,239,807
Current liabilities			
Trade and other payables	16	**5,964,529**	16,287,298
Current tax liabilities		**-**	977,090
Financial liabilities at fair value through profit or loss	12	**39,176,067**	25,122,531
Total current liabilities		**45,140,596**	42,386,919
Liabilities directly associated with discontinued operations		**59,863**	233,187
Total liabilities		**47,094,338**	44,859,913
Total equity and liabilities		**113,769,293**	149,771,049

Approved and authorised by the Board of Directors at a meeting on 23 April 2020 and signed on its behalf by:

DocuSigned by:
Jason Carroll
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J Carroll
Director

The notes on pages 11 to 34 form an integral part of the financial statements.

Statement of changes in equity

for the year ended 31 December 2019

	Notes	Share capital £	Share premium £	Translation reserve £	Retained earnings £	**Total £**
Balance at 31 December 2017		29,224,641	373,658	28,492	9,278,110	38,904,901
Profit for the financial year continuing operations		-	-	-	3,093,882	3,093,882
Profit for the financial year from discontinued operations		-	-	-	215,272	215,272
Translation differences		-	-	13,156	-	13,156
Issue of share capital	14	72,181,124	1,872,467	-	-	74,053,591
Withdrawal of share capital	14	(11,369,666)	-	-	-	(11,369,666)
Balance at 31 December 2018		90,036,099	2,246,125	41,648	12,587,264	104,911,136
Loss for the financial year from continuing operations		-	-	-	(1,579,264)	**(1,579,264)**
Profit for the financial year from discontinued operations	20	-	-		47,875	**-** **47,875**
Translation differences		-	-	(37,409)	-	**(37,409)**
Issue of share capital	14	58,938,017	-	-	-	**58,938,017**
Withdrawal of share capital	14	(95,605,400)	-	-	-	**(95,605,400)**
Balance at 31 December 2019		**53,368,716**	**2,246,125**	**4,239**	**11,055,875**	**66,674,955**

During the 2019 year, there was a £33,022 net gain on Translation differences related to discontinued operations. This has been recognised in Loss for the financial year from continuing operations.

The notes on pages 11 to 34 form an integral part of the financial statements.

Statement of cash flows

for the year ended 31 December 2019

	Notes	2019 £	2018 £
Operating activities			
(Loss)/profit before taxation from continuing operations		(2,383,739)	3,772,285
Profit before taxation from discontinued operations	20	127,990	314,695
(Loss)/profit before tax		(2,255,749)	4,086,980
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment		648,252	1,189,115
Depreciation expense on the right-of-use asset	18	304,517	-
Loss on disposals of property, plant and equipment		296,147	11,945
Finance income		(384,330)	(194,888)
Interest expense		60,874	-
Changes in operating assets and liabilities:			
Other non-current assets		(943,137)	(676)
Trade and other receivables		1,014,755	3,934,991
Financial assets at fair value through profit or loss		14,746,212	(46,572,147)
Other financial liabilities		504,806	456,752
Trade and other payables		(10,476,176)	6,799,276
Financial liabilities at fair value through profit or loss		14,053,536	19,270,771
		17,569,707	(11,017,881)
Finance income received		384,330	194,888
Interest expense paid		(60,874)	-
Income taxes paid		(741,101)	(612,813)
Net cash from/(used in) operating activities		17,152,062	(11,435,806)
Investing activities			
Purchases of property, plant and equipment		(959,184)	(1,684,332)
Proceeds from sale of property, plant and equipment		2,250,338	-
Net cash from/(used in) investing activities		1,291,154	(1,684,332)
Financing activities			
Proceeds from issue of share capital		58,938,017	74,053,591
Payments for withdrawal of share capital		(95,605,400)	(11,369,666)
Payment of principal portion of lease liability		(364,287)	-
Net cash (used in)/from financing activities		(37,031,670)	62,683,925
Net (decrease)/increase in cash and cash equivalents		(18,588,454)	49,563,787
Cash and bank balances at 1 January		64,944,648	15,374,021
Net foreign exchange difference		(29,921)	6,840
Cash and bank balances at 31 December	13	46,326,273	64,944,648

The notes on pages 11 to 34 form an integral part of the financial statements.

Notes to the financial statements
for the year ended 31 December 2019

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 directors' report as part of the introduction to the annual report. The principal activities of the company are described in the strategic report.

2 Basis of preparation

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

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 financial statements have been prepared using the going concern basis of accounting. In the opinion of the directors, the company has sufficient liquidity and capital resources to perform its core principal activities, continue in operational existence and meet its liabilities as they fall due for the foreseeable future.

In reaching this conclusion the directors have prepared a detailed forecast which shows profitability and an excess of liquid resources to meet the company's liabilities as they fall due. Additionally, as part of the company's business planning process, financial projections have been prepared extending to April 2021 which show profitability. The potential additional impact of Covid-19 to the company's business is considered a significant risk to the company. In the furthest extreme stress scenario, if an all-electronic trading suspension occurs from 23 April 2020, the company's projections demonstrate the company's ability to maintain its liquidity and reduce its operating expenses under this severe stress scenario until the pandemic resides and the markets are reopened.

The directors note that the company had current assets of £111.8 million at 31 December 2019. This includes £46.3 million of cash and bank balances. Current liquid resources of £111.7 million available to the company are significantly greater than projected fixed costs through April 2021. Further, £27.7 million of amounts receivable included in the cash at bank balance is at clearing brokers and would serve as a first call on the company's capital in the event of any trading losses incurred by the company. The company trades in liquid financial markets and has numerous pre-trade and post trade controls in place to limit the losses arising from any particular set of trades or a particular trading strategy. Having taken this into account, the directors are satisfied that the going concern basis of accounts preparation is appropriate.

The principal accounting policies are set out below.

3 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any material effect on the financial performance or position of the company; please refer to note 3.18 for further details.

3.1 Cash and bank balances

Cash and bank balances include cash on 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. Bank overdrafts are shown in Current liabilities in the Statement of financial position.

Notes to the financial statements
for the year ended 31 December 2019

3 Significant accounting policies (continued)

3.2 Fair value measurements

The company measures financial assets and liabilities at fair value through profit and loss and non-financial assets at fair value at each reporting date. 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 leasing transactions that are within the scope of International Accounting Standard ("IAS") 17, *Leases* and IFRS 16, *Leases* and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36, *Impairment of Assets.*

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.

3.3 Financial assets and financial liabilities

Financial assets and financial liabilities are classified at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying the classification, a financial asset or financial liability is considered to be held for trading if:

- it is acquired or incurred principally for the purpose of selling or 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.

Notes to the financial statements
for the year ended 31 December 2019

3 Significant accounting policies (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.1 Financial assets

The company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- the company's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

i. Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The company includes in this category short term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

ii. Financial assets measured at fair value through profit and loss ("FVTPL")

A financial asset is measured at FVTPL if:

- its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or
- it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- at initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The company includes in this category instruments held for trading including equity instruments which are principally acquired for the purpose of generating a profit from short term fluctuations in price. This category also includes derivative contracts in an asset position.

3.3.2 Financial liabilities

i. Financial liabilities measured at amortised cost

The company includes all financial liabilities, other than those measured at FVTPL, including short term payables in this category.

ii. Financial liabilities measured at FVTPL

A financial liability is measured at FVTPL if it meets the definition of held for trading as set out in IFRS 9, *Financial Instruments*. The company includes equity instruments sold short and derivative contracts in a liability position in this category.

Notes to the financial statements
for the year ended 31 December 2019

3 Significant accounting policies (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.3 Recognition

The company recognises a financial asset or liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, the date that the company commits to purchase or sell the asset.

3.3.4 Initial measurement

Financial assets and financial liabilities at FVTPL are recorded in the Statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss. Financial assets and liabilities other than those classified as at FVTPL are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

3.3.5 Subsequent measurement

After initial measurement, the company measures financial instruments classified as at FVTPL at fair value. Subsequent changes in the fair value of those financial instruments and dividends earned or paid on these instruments are recorded in Trading income, net in the Statement of comprehensive income.

Financial liabilities other than those classified as at FVTPL are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the company estimates future cash flows considering all contractual terms of the financial instruments but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are integral part of the effective interest rate, transaction costs, and other premiums or discounts.

Notes to the financial statements
for the year ended 31 December 2019

3 Significant accounting policies (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.6 Derecognition

A financial asset (or where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the company has:

- transferred substantially all of the risks and rewards of the asset; or
- neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

The company derecognises a financial liability when the obligation under the liability is discharged, cancelled, or expired.

3.3.7 Impairment of financial assets

The company recognises an allowance for expected credit losses ("ECLs") for all financial assets held at amortised cost. ECLs are based on the difference between the contractual cash flows that are due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a twelve-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the exposure (a lifetime ECL).

The company assesses on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost.

Notes to the financial statements
for the year ended 31 December 2019

3 **Significant accounting policies** (continued)

3.3 Financial assets and financial liabilities (continued)

3.3.8 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 are measured at amortised cost using the effective interest method, less any impairment. Cash held as collateral includes deposits with clearing firms or exchanges.

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.

3.3.9 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. The company has not applied any netting.

3.4 Revenue recognition
Trading income, net represents the profit and loss derived from trading activities. Transactions in financial instruments are recorded at trade date.

3.5 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. The company has determined that the carrying amount of Trade and other payables and Current tax liabilities, based on their notional amount, reasonably approximate their fair values because they are short term in nature.

Notes to the financial statements
for the year ended 31 December 2019

3 Significant accounting policies (continued)

3.6 Other operating income, net

Other operating income, net represents exchange differences arising from 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, fee income derived from trade facilitation and operational support services to the company's affiliates, income from the company's portfolio of investment securities and tax benefits.

3.7 Finance income

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

3.8 Brokerage, exchange and clearance fees

Brokerage, exchange and clearance fees include commissions, fees charged by third-party clearing brokers, transactional fees charged by exchanges, regulatory fees and other transactional based costs incurred in the normal course of business. Such expenses are recorded on a trade-date basis. Rebates based on volume discounts, credits or payments received from exchanges or other marketplaces based on the company's market-making and dealing activities are netted against Brokerage, exchange and clearance fees.

3.9 Income taxes

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

3.9.1 Current tax

The tax currently payable or receivable is based on taxable profit or loss for the year. Taxable profit differs from Profit or loss before tax from continuing operations 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.

3.9.2 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.

Notes to the financial statements
for the year ended 31 December 2019

3 Significant accounting policies (continued)

3.9.2 Deferred tax (continued)

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.

3.10 Tangible non-current assets

3.10.1 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 the calculation of depreciation:

• Leasehold improvements	over the period of the lease
• Furniture	7 years
• Equipment	
- Office and warehouse equipment	3 years
- Hardware and monitors	4 years
- Network equipment	5 to 7 years

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.

3.10.2 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 they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes to the financial statements
for the year ended 31 December 2019

3 **Significant accounting policies** (continued)

3.10.2 Impairment of tangible assets (continued)
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.

3.11 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). Exchange differences of this nature are recognised initially in translation reserves and reclassified from equity to profit or loss on repayment of the monetary items.

3.12 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 translation reserves. Once the disposal or discontinuation of a foreign operation occurs, exchange differences accumulated in translation reserves in respect of that operation are reclassified to profit or loss, and are reflected in Continuing operations on the Statement of comprehensive income.

3.13 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.

Notes to the financial statements
for the year ended 31 December 2019

3 Significant accounting policies (continued)

3.13 Provisions (continued)
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.

3.14 Pension costs and other post-retirement benefits
The company makes payments into a group personal pension plan, operating as a defined contribution pension scheme. Obligations for contributions to defined contribution pension plans are recognized on an accrual basis.

3.15 Leases

3.15.1 Prior to the adoption of IFRS 16, Leases on 1 January 2019
Operating lease payments were recognised as an expense on a straight-line basis over the lease term.

3.15.2 After the adoption of IFRS 16, Leases on 1 January 2019
The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset and obtain substantially all of the economic benefits from the asset for a period of time in exchange for consideration. The company, as a lessee, applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The company applies the short term lease recognition exemption to its short term leases (defined as those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option reasonably certain to exercise). It also applies the lease of low-value assets recognition exemption to leases that are considered low value. Lease payments on short term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Notes to the financial statements
for the year ended 31 December 2019

3 **Significant accounting policies** (continued)

3.16 Share capital
Ordinary shares are classified as equity.

3.17 Discontinued operations
A disposal group qualifies as discontinued operations if it is a component that has been disposed of and:

- represents a separate major line of business or geographical area of operations;

or

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as Profit or loss for the financial year, net of income tax from discontinued operations in the Statement of comprehensive income.

Additional disclosures are provided in note 20. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

3.18 Adoption of new and revised standards

a) New and amended standards adopted by the company

IFRS 16, Leases
The company adopted IFRS 16, *Leases* using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The prior year figures were not adjusted.

The company has entered into operating lease contracts for telecommunications equipment and office property. Before the adoption of IFRS 16, the company classified each of its leases, as the lessee, at the inception date as either a finance lease or an operating lease. Upon adoption of IFRS 16, the company applied a single recognition and measurement approach for all leases except for short term leases and leases of low-value assets. The company elected to use the transitional practical expedient not to reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the company applied the standard to contracts that were previously identified as leases applying IAS 17 and International Financial Reporting Interpretations Committee 4, *Determining whether an arrangement contains a lease.*

Refer to note 3.15 for the accounting policy prior to and beginning 1 January 2019.

Notes to the financial statements
for the year ended 31 December 2019

3.18 Adoption of new and revised standards (continued)

a) New and amended standards adopted by the company (continued)

Leases previously accounted for as operating leases

The company has recognised a right-of-use asset and a lease liability for a lease previously classified as an operating lease, after the exclusion of short term leases and leases of low-value assets. The right-of-use asset was recognised based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognised. The lease liability was recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The company has also applied the available practical expedients wherein it:

- used its parent company's incremental borrowing rate of 6.22%, based on the information available at the commencement date in determining the present value of future payments; and
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The effect on the Statement of financial position of adopting IFRS 16 are increases in assets and liabilities as follows:

	1 January 2019 £
Assets	
Other non-current assets: Right-of-use asset	946,178
Liabilities	
Other financial liabilities: Lease liability	700,075
Trade and other payables: Lease liability	404,314
Total liabilities	1,104,389

Additional disclosures are provided in note 18.

New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2019 and not early adopted

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

4 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (refer to note 4.1.1 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.

Notes to the financial statements
for the year ended 31 December 2019

4 **Critical judgements in applying accounting policies** (continued)

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.

4.1.1 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. Refer to note 12 for further discussion.

5 **Other operating income, net**

	2,019	2018
	£	£
Gains/(losses) on securities, net	**5,808,273**	(1,081,706)
Foreign exchange gains/(losses), net	**(2,352,079)**	2,673,628
Dividends	**575,361**	524,190
Other income	**191,532**	2,383,773
	4,223,087	4,499,885

Included in Foreign exchange gains or losses, net is the net foreign exchange gain on discontinued operations through translation reserves that was recognized from equity to profit and loss. Foreign exchange gains, net on discontinued operations through translation reserves of £33,022 is included in Continuing operations in the Statement of comprehensive income.

6 **Profit before tax**

(Loss)/profit before tax is stated after charging:

	Notes	2019	2018
		£	£
Included in Administrative expenses:			
Auditor's remuneration			
- Audit services		**88,560**	82,719
- Audit-related assurance services		**10,000**	10,000
Auditor's remuneration – non-audit services			
- Taxation compliance services		**5,623**	7,001
- Taxation advisory services		**12,000**	12,000
Depreciation	9	**559,169**	863,901
Loss on disposal of plant and equipment		**289,062**	5,600

Notes to the financial statements
for the year ended 31 December 2019

7 Employee benefits expense

	2019	2018
	£	£
Included in administrative expenses:		
Wages and salaries	**8,239,292**	6,219,913
Social security costs	**1,119,674**	841,835
Pension costs	**72,579**	32,401
	9,431,545	7,094,149

The above staff costs pertain to an average of 32 employees during the year (2018: 27). The directors' aggregate remuneration in respect to qualifying services performed while appointed as director (salary and benefits) was £553,097 (2018: £447,548), in addition £10,000 (2018: £10,000) was borne by affiliates. Directors' aggregate remuneration in respect of qualifying services while appointed as director include £553,097 (2018: £447,548) paid in respect of the highest paid director.

8 Income taxes

(a) Taxation

	2019	2018
	£	£
Current income tax:		
United Kingdom corporation tax based on the results for the year as adjusted for taxation purposes at 19% (2018 – 19%)	-	977,090
Adjustments in respect of previous periods	**(331,194)**	5,614
Foreign tax	**51,064**	97,699
Total current income tax charge/(benefit)	**(280,130)**	1,080,403
Deferred tax:		
Origination and reversal of temporary differences	**(442,258)**	(303,327)
Translation differences	**(1,972)**	750
Total deferred tax expense/(benefit)	**(444,230)**	(302,577)
Total tax expense/(benefit) for the year	**(724,360)**	777,826

Amounts are inclusive of discounted operations.

Factors affecting the tax charge for the year

The relevant deferred tax balances are re-measured at the corporation tax rate effective at the time the company anticipates the deferred tax balances will unwind.

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

Notes to the financial statements
for the year ended 31 December 2019

8 Income taxes (continued)

(b) Reconciliation of total tax charge

The total tax charge for the year is lower (2018: higher) than the corporation tax effective rate of 19% (2018: 19%). The differences are set out below.

	2019	2018
	£	£
(Loss)/profit before tax from continuing operations	(2,383,739)	3,772,285
Profit before tax from discontinued operations	127,990	314,695
(Loss)/profit before tax	(2,255,749)	4,086,980
Corporation tax at 19% (2018 – 19%)	(428,592)	776,526
Effects of:		
Adjustments in respect of previous periods	(331,194)	5,614
Income not taxable for tax purposes	(38,465)	(78,923)
Effect of higher taxes on overseas earnings	51,064	13,809
Expenses not deductible for tax purposes	24,799	60,050
Gain recognised on a realization basis	-	-
Translation differences	(1,972)	750
Total tax expense/(benefit) for the year	(724,360)	777,826

	2019	2018
	£	£
Income tax expense/(benefit) from continuing operations reported in the Statement of comprehensive income	(804,475)	678,403
Income tax attributable to discontinued operations	80,115	99,423
	(724,360)	777,826

Taxation charge for the year is inclusive of discontinued operations.

(b) Deferred tax provision

	2019	2018
	£	£
Capital allowances in excess of depreciation	262,062	284,973
Other short term temporary differences	2,076,896	508,155
Deferred tax previously unrecognised	(2,542,392)	(1,438,821)
	(203,434)	(645,693)

Deferred tax asset

	2019	2018
	£	£
At 1 January	70,871	36,893
(Charge)/benefit to profit and loss account – temporary differences	(36,859)	33,977
At 31 December	34,012	70,870

Notes to the financial statements
for the year ended 31 December 2019

8 **Income taxes (continued)**

(c) Deferred tax provision (continued)

Deferred tax liability

	2019	2018
	£	£
At 1 January	**(716,563)**	(985,912)
Charge to profit and loss account – temporary differences	**479,117**	269,349
At 31 December	**(237,446)**	(716,563)

Amounts are inclusive of discounted operations.

9 **Property, plant and equipment**

	Leasehold improvements	Furniture	Equipment	Total
	£	£	£	£
Cost				
Balance at 1 January 2018	675,977	212,699	2,438,049	**3,326,725**
Additions	10,179	48,766	1,481,046	**1,539,991**
Disposals	(23,466)	(63,722)	(221,795)	**(308,983)**
Exchange differences	1	-	10,600	**10,601**
Balance at 31 December 2018	662,691	197,743	3,707,900	**4,568,334**
Additions	303,900	31,179	528,005	**863,084**
Disposals	(252,981)	(23,505)	(3,587,484)	**(3,863,970)**
Exchange differences	-	-	(5,256)	**(5,256)**
Balance at 31 December 2019	713,610	205,417	643,165	**1,562,192**
Accumulated depreciation				
Balance at 1 January 2018	107,617	78,342	1,151,280	**1,337,239**
Charge for the year	134,866	28,001	701,034	**863,901**
Disposals	(23,466)	(60,651)	(162,358)	**(246,475)**
Exchange differences	1	-	7,094	**7,095**
Balance at 31 December 2018	219,018	45,692	1,697,050	**1,961,760**
Charge for the year	143,361	27,697	388,111	**559,169**
Disposals	-	-	(1,719,094)	**(1,719,094)**
Exchange differences	-	-	(3,408)	**(3,408)**
Balance at 31 December 2019	362,379	73,389	362,659	**798,427**
Net book value				
At 31 December 2018	443,673	152,051	2,010,850	**2,606,574**
At 31 December 2019	**351,231**	**132,028**	**280,506**	**763,765**

Amounts are not inclusive of discounted operations.

Notes to the financial statements
for the year ended 31 December 2019

10 Other non-current assets

	2019 £	2018 £
Security deposit – long term	**179,546**	182,588
Right-of-use asset	**641,661**	-
	821,207	182,588

11 Trade and other receivables

	2019 £	2018 £
Trade receivables	**13,909**	238,622
Collateral held at an exchange	**152**	1,142,604
Amounts owed by group undertakings	**201,741**	84,514
Amounts owed by parent undertaking	**17,384**	-
Other receivables	**380,901**	101,733
Prepayments	**231,257**	278,474
	845,344	1,845,947

12 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. The company manages market risk in various ways including diversifying exposures, placing limitations on position sizes and hedging in related securities or derivative financial instruments.

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

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.

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 2019

12 Financial risk management (continued)

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 common stocks or 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 2019 was, as follows:

	Note	2019	2018
		£	£
Trade and other receivables	11	**845,344**	1,845,947
Financial assets at fair value through profit or loss	12	**64,574,389**	79,320,601
Cash and bank balances	13	**46,326,273**	64,944,648
		111,746,006	146,111,196

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.

For financial liabilities that are not payable on demand or in accordance with normal trade settlement cycles, the table below summarises the maturity profile of these liabilities, based on contractual undiscounted payments:

	2019 £ Less than 1 year	2019 £ 1 to 5 years	2019 £ More than 5 years	2019 £ Total
Lease liabilities	422,565	363,456	-	786,021

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.

Notes to the financial statements
for the year ended 31 December 2019

12 Financial risk management (continued)

Concentration risk

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.

Fair value of financial instruments

The company has adopted the amendment to IFRS 7, *Financial Instruments: Disclosure* for financial instruments that are recorded in the Statement of financial position 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).

Assets	2019 Level 1 £	2019 Level 2 £	2019 Level 3 £	2019 Total £
Equities	64,574,389	-	-	64,574,389
Total financial assets at fair value through profit or loss	64,574,389	-	-	64,574,389

Liabilities	2019 Level 1 £	2019 Level 2 £	2019 Level 3 £	2019 Total £
Equities	39,176,067	-	-	39,176,067
Total financial liabilities at fair value through profit or loss	39,176,067	-	-	39,176,067

Notes to the financial statements

for the year ended 31 December 2019

12 Financial risk management (continued)

Fair value of financial instruments (continued)

Assets	2018 Level 1 £	2018 Level 2 £	2018 Level 3 £	2018 Total £
Equities	79,305,240	-	-	79,305,240
Futures contracts	15,361	-	-	15,361
Total financial assets at fair value through profit or loss	79,320,601	-	-	79,320,601

Liabilities	2018 Level 1 £	2018 Level 2 £	2018 Level 3 £	2018 Total £
Equities	25,116,483	-	-	25,116,483
Futures contracts	6,048	-	-	6,048
Total financial liabilities at fair value through profit or loss	25,122,531	-	-	25,122,531

The company's equities and listed futures positions are traded in active markets and are recorded at either the official closing price by the listing exchange, or at the last traded price, when the official closing price is unavailable. They are recorded as Financial assets or liabilities at fair value through profit or loss in the Statement of financial position.

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 and are classified as Financial assets or Financial liabilities at fair value through profit and loss. The company did not hold any Level 2 or Level 3 financial assets or financial liabilities during 2019 or 2018.

13 Cash and bank balances

	2019 **£**	2018 £
Cash at banks and on hand	**46,326,273**	64,944,648

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 2019

14 Issued capital

	2019	2018
Authorised shares	**£**	£
Ordinary shares of £1 each	**100,000,000**	100,000,000

	Shares	£
Ordinary shares issued and fully paid		
At 1 January 2019	90,036,099	29,224,641
Increase due to issuance of ordinary shares	58,938,017	72,181,124
Decrease due to withdrawal of ordinary shares	(95,605,400)	(11,369,666)
At 31 December 2019	**53,368,716**	**90,036,099**

	2019	2018
Share premium	**£**	£
At 1 January	**2,246,125**	373,658
Increase	**-**	1,872,467
At 31 December	**2,246,125**	2,246,125

15 Other financial liabilities

	2019	2018
	£	£
Accruals	**1,328,477**	1,345,413
Deferred income	**-**	178,332
Operating lease liability	**327,956**	-
	1,656,433	1,523,745

16 Trade and other payables

	2019	2018
	£	£
Trade payables	**804,662**	4,170,188
Amounts owed to parent undertaking	**-**	3,424,357
Amounts owed to group undertakings	**10,898**	42,879
VAT payable	**51,523**	205,233
Operating lease liability	**412,146**	-
Accruals and deferred income	**4,685,300**	8,444,641
	5,964,529	**16,287,298**

Notes to the financial statements
for the year ended 31 December 2019

17 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 £66,674,955 (2018: £104,911,136).

18 Leases

The company has a contract for leased office property used in its operations. The lease term is 5 years.

Set out below are the carrying amounts of the right-of-use asset, recognised in Other non-current assets in the Statement of financial position, and the movement during the period:

	2019
	£
Balance at 1 January 2019	946,178
Depreciation expense on the right-of-use asset	(304,517)
Balance at 31 December 2019	**641,661**

Set out below are the carrying amounts of the lease liability, included in Other financial liabilities on the Statement of financial position, and the movements during the period:

	2019
	£
Balance at 1 January 2019	1,104,389
Interest expense on the lease liability	58,278
Payments	(422,565)
Balance at 31 December 2019	**740,102**

The maturity analysis of lease liabilities is disclosed in note 12.

The following amounts are recognised in the Statement of comprehensive income:

	2019
	£
Depreciation expense on the right-of-use asset	304,517
Interest expense on the lease liability	58,278
Expense relating to short term leases	72,589
Variable lease expenses	212,890
	648,274

The total cash outflow for leased office property was £422,565 during 2019.

Notes to the financial statements
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19 Related party transactions

The company incurred expenses related to an agreement with its parent of £27,851,771 for the financial year ended 31 December 2019 (2018: £47,959,158). The company paid £31,145,378 to its parent under this agreement during the 2019 financial year (2018: £46,350,864). As of the 31 December 2019, £0 (2018: £3,336,485) was due to its parent relating to this agreement.

During the 2019 financial year, the company purchased £200,731 of computer and networking equipment from its parent (2018: £40,917). This balance was remitted before the issuance of these financial statements.

During the 2019 financial year, the company sold £2,158,990 of plant and equipment to its parent company as a result of the discontinued operations. The company received the balance owed from these transactions before 31 December 2019.

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

	2019	2018
	£	£
Short term benefits	**553,097**	447,548

20 Discontinued operations

During 2019, the company discontinued four of its foreign branches. The results of the discontinued branches for the year are below:

	2019	2018
	£	£
Trading income, net	**19,529,673**	43,485,598
Other operating income, net	**(822)**	(6,011)
Brokerage, exchange and clearance fees	**(8,337,307)**	(21,870,976)
Administrative expenses	**(11,063,554)**	(21,293,916)
Profit before tax from discontinued operations	**127,990**	314,695
Income tax expense	**(80,115)**	(99,423)
Profit for the financial year, net of income tax	**47,875**	215,272

The net cash flows incurred by the company's foreign branches classified as discontinued operations are as follows:

	2019	2018
	£	£
Operating	**25,408**	200,642
Investing	**326,060**	(146,092)
Financing	**-**	-
Net cash inflow	**351,468**	54,550

Notes to the financial statements
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21 Events after the reporting period

On 31 January 2020, the United Kingdom left the European Union after invoking Article 50 of the Lisbon Treaty on 29 March 2017. The company has monitored the situation closely and has taken appropriate measures to mitigate any risks presented. The company will continue to monitor the situation to gauge potential implications for the business.

During 2020, the company issued 13,451,273 ordinary shares to Hudson River Trading LLC and issued 274,516 ordinary shares to RDC I, Inc. at a price per share of £1.00.

Subsequent to the reporting date of 31 December 2019, the rapid spreading of Covid-19 and the resulting changes in the market environment have introduced new challenges and risks to the company. The company has continued to operate profitably and without any material business disruption. The company took early decisive steps to transition to working from home. This reduced the risk of multiple employees potentially contracting the virus at the same time and minimized the probability of business interruptions related thereto.

The company has continued to follow its risk management approach as set out in Note 12 above, in particular for risks that have been brought into focus by the Covid-19 pandemic such as adverse market moves, counterparty failure or disruption to the operation of global markets including market closure. The company has accordingly increased its management and monitoring of those risks.

Counterparty credit risk, monitored in particular through credit ratings and credit default swap spreads, has been maintained within the company's risk standards as has diversification of cash balances across high quality institutions and currencies. Therefore, the company is effectively managing and limiting any potential impact that could result from adverse currency moves or a counterparty failure.

Market risk, in particular, securities price risk, has been closely monitored and maintained within risk standards and within capital capacity under both Pillar 1 and Pillar 2. Further details regarding the directors' going concern assessment are provided in note 2.