

**Registered Number 10014283**

**Trading 212 Group Limited**

**Annual report and consolidated financial statements  
for the year ended 31 December 2018**



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Directors	Borislav Tzonkov Nedialkov Nicholas Luke Saunders
Registered number	10014283
Registered office	107 Cheapside London EC2V 6DN
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

## **Trading 212 Group Limited Strategic' report 31 December 2018**

The directors present their strategic report and consolidated annual financial statements for Trading 212 Group Limited ("the Company") and its subsidiary companies, together the Group, for the year ended 31 December 2018.

### **Strategic Report**

Trading 212 Group Limited was incorporated in February 2016 with the intention that it would acquire and act as the holding Company for financial trading businesses. It does not conduct any commercial activities itself. As of 31st December 2018, the Company had two subsidiaries, namely; Trading 212 Limited incorporated in Bulgaria and Trading 212 UK Limited incorporated in England and Wales (i.e. each subsidiary jointly referred as "Trading 212").

In April 2018, the Company sold its investment in Trading 212 CY Limited.

### **Business Review**

The Group's subsidiaries operate a Contracts for Difference ("CFDs") service, taking on clients around the world with the exception of the United States and prohibited jurisdictions. The subsidiaries are authorised and regulated by the Financial Supervision Commission in Bulgaria and the Financial Conduct Authority in the United Kingdom ("UK"), respectively. The underlying assets traded by clients include equities, equity indices, currencies, cryptocurrencies or commodities with FX, oil and indices being the most popular.

As of December 2018, Trading 212's clients were entirely retail with no corporate or omnibus accounts accepted (except for the purposes of intra-group position hedging). All clients come to Trading 212 directly; no rebates are paid to third parties for client acquisition. Market risk for the Group is aggregated in the Bulgarian Group.

Revenue derives from commissions and spread paid by customers and from client losses on unhedged positions. The Group operates a policy of guaranteeing that clients cannot lose more than the amount they deposit. While this policy gives comfort to traders in volatile markets the Group will be forced to write off client negative balances, potentially generating a trading loss. It is anticipated though that such losses will be short term as volatility is the single biggest driver of client acquisition; a day's trading loss would be expected to be more than offset by higher trading volumes over the following weeks.

Marketing is generally restricted to online channels, which though costly, target an audience more likely to require Trading 212's mobile-led trading platform than that responding to traditional advertising. Profitability depends on offering clients an attractive venue, and on attracting prospective clients. The unique selling point ("USP") of the business is its platform and in its service. The business aims to be more generous when dealing with clients than its competitors, recognising the fact that goodwill can be a cost-effective sales tool.

Trading 212 UK Limited has a signed Client Agreement with its sister Group Trading 212 Ltd by virtue of which Trading 212 receives and executes orders for transactions with CFDs via Trading 212 Ltd's electronic trading platform.

### **Principal Risks and Uncertainties**

#### **Legal and Regulatory**

Legal and Regulatory change presents a substantial risk to the Group. The Group's revenue is derived almost exclusively from relatively niche products. During the year under review, the European Securities and Markets Authority ("ESMA") introduced leverage and bonus payment restrictions which had a negative impact on the Group's trading volumes. In the short term, the Board believes this will reduce profitability, but in the medium to long term, increased client longevity ought to make up for this reduction. The Board acknowledges that, with no subsidiaries outside the EU, it is exposed to EU regulatory change, and will consider whether this needs to be addressed in the next year.

**Trading 212 Group Limited**  
**Strategic report**  
**31 December 2018**

**Personnel**

The Group's most important resource is its employees. Management therefore monitors staff turnover and aims to ensure that staff are happy and properly remunerated. While some turnover is inevitable, business risks are mitigated by training staff to cover other roles as part of the Group's training programmes.

The average monthly number of employees for the Group during the year was 149 (2017: 156).

**Market Risk**

The Group aggregates its market exposure in the Bulgarian subsidiary. Exposure is monitored carefully, and risk parameters decided by senior management. Exposure is a necessary part of the business, and the Board understands that it is not without risk, but that such risk must be appropriately understood and managed.

By monitoring and adjusting margin requirements, the Group is able to cushion itself where volatility is ongoing. Additionally, the products offered do not include those unduly liable to sudden spikes; such as shares in smaller companies. Similarly, the Board aims to ensure adequate capital is held not only to meet regulatory requirements, but additionally to cover its market exposure.

The Group has developed a thorough procedure for managing all types of market risks, namely:

- Interest rate risk- Market volatility caused by interest rate changes
- Equity price risk- Systematic and Unsystematic risks affecting equity prices
- Exchange rate risk- Risk associated with fluctuation of currency prices
- Commodity price risk- Fluctuations in commodity prices

The Group uses the standard approach as prescribed in the Capital Requirements Regulation.

We identify all treasury balances held in a currency other than our currency of account. We also review the balances held in client money bank accounts and the amounts owed to our clients in each currency. This is because our clients trade in multiple currencies, but generally only require settlement facilities in their account's base currency. It is neither cost effective nor, in some cases, desirable to maintain segregated bank accounts in all possible currencies. We believe that the risks of holding client money outside of the EU outweigh the benefits in most cases.

Each outstanding currency derivative trade is split into its two constituent currency legs. We aggregate all of these figures to identify our gross and net exposure to each individual currency.

Where we are able to match long and short balances in a highly correlated currency pair, we will do so. Our capital requirement on matched highly correlated currency pairs is 4.5% of the notional principal amount.

For other currencies, we ignore our currency of account and take a capital requirement of 8% of the greater of our net long or net short positions.

**Counterparty Risk**

Trading 212 is exposed to counterparty risk both from any brokers with which it hedges positions, and from any banks where both its own and client funds are held.

The Group has access to several execution brokers to hedge positions if needed. The size of positions is monitored by the Board which will reduce this concentration risk if it considers it necessary. The solidity of these counterparties is monitored, and funds and positions diversified where the Board feels it necessary. Client funds are held at a variety of banks and execution counterparties. The Board is satisfied that they are suitably creditworthy.

**Trading 212 Group Limited**  
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**Financial Key Performance Indicators**

The net assets at the year-end were £29.5 million (2017: £13.2 million). Net trading revenue rose to £56.3 million (2017: £43.7 million) due to favorable market conditions, which also affected the increase in client funds held to £20.2 million (2017: £17.5 million).

**Non-Financial Key Performance Indicators**

The Group's businesses rely on customers to generate volume. The rate of new customer acquisition is therefore a key indicator of sustainable business. The impact of ESMA restrictions on the business (effective 1 August 2018) is key, therefore, we have split the acquisition number around this date and comparing with similar periods to account for natural variance.

Accounts opened to 1 Aug 2018 – 29,172 (2017: 29,693) decrease of 1.8%

Accounts opened 1 Aug to 31 Dec 2018 – 16,982 (2017: 37,497) decrease of 54.8%

While this is a significant decrease, this should be offset against the backdrop of the cryptocurrency bubble, which inflated acquisition numbers in 2017, a fact noted at the time.

It is the Board's belief that most of the decrease is attributable to this market irrationality rather than ESMA restrictions, but of course this is impossible to quantify. In 2019, the Board intends to review its product offering and refocus its marketing spend accordingly.

Approved by the Board and signed on their behalf by:



Nicholas Luke Saunders  
Director

30 September 2019

**Trading 212 Group Limited**  
**Directors' report**  
**31 December 2018**

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2018.

**Principal activity**

The principal activity of the Company is that of a holding Company of its two limited liability companies, namely; Trading 212 UK Limited in the United Kingdom ("UK") and Trading 212 Limited in Bulgaria.

**Business review and future developments**

A review of the Group's operations and future developments is covered in the Strategic Report together with the Financial Review on pages 3 to 5.

**Financial results**

Details of the Group's financial results are set out in the consolidated statement of comprehensive income and other components of the financial statements on pages 11 to 32.

**Going concern**

The Directors of the Group have reasonable expectations that the Group has adequate resources to continue to operate on a going concern basis for the foreseeable future.

With view of the prevailing economic conditions, competitive forces and the regulatory environment of the Group, the Directors have reviewed the Group's risk management practices, the available liquidity resources, the regulatory capital position and the annual cash flow projects. As a result of this review, the Directors are satisfied that the Group has adequate resources to continue to operate on a going concern basis for the foreseeable future. For this reason, we have adopted the going concern basis in preparing the financial statements of the Group.

**Directors and Directors' shareholdings**

The Directors who served on the Board and on Board Committees during the year are set out on page 2. Details of the Directors' remuneration are given in note 21.

**Directors' responsibilities statement**

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Group law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. Under Group 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 and profit or loss of the Group 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 that the financial statements comply with IFRS (as adopted by the EU);
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


The directors confirm that so far as each director is aware, there is no relevant audit information of which the Group's auditor is unaware; and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

**Trading 212 Group Limited**  
**Directors' report**  
**31 December 2018**

**Independent auditor**

A resolution for the re-appointment of Grant Thornton UK LLP as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'N. L. Saunders', written over a horizontal line.

Nicholas Luke Saunders  
Director

30 September 2019



## **Trading 212 Group Limited**

### **Independent auditor's report to the members of Trading 212 Group Limited**

#### **Opinion**

We have audited the financial statements of Trading 212 Group Limited (the 'group') for the year ended 31 December 2018, which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows and notes to the financial statements, 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements 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. We are independent of the group and the parent 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.

#### **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 group's or the parent 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Trading 212 Group Limited**

### **Independent auditor's report to the members of Trading 212 Group Limited**

#### **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 the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matter on which we are required to report under the Companies Act 2006**

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

#### **Matters on which we are required to report by exception**

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 parent company 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 for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 6, 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 group's and the parent 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 group or the parent 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.

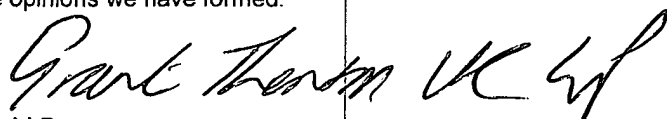
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Trading 212 Group Limited**

### **Independent auditor's report to the members of Trading 212 Group Limited**

#### **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.



**David Pearson**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

30 September 2019

**Trading 212 Group Limited**  
**Consolidated statement of comprehensive income**  
**For the period ended 31 December 2018**

		31 December 2018 £'000	31 December 2017 £'000
	Notes		
Revenue	4	56,314	43,719
Other income	5	5	43
		<u>56,319</u>	<u>43,762</u>
<b>Expenses</b>			
Administrative expenses	6,7,8	(22,929)	(40,781)
Depreciation and amortisation expense		(683)	(579)
<b>Total expenses</b>		<u>(23,612)</u>	<u>(41,360)</u>
<b>Operating profit</b>		<u>32,707</u>	<u>2,402</u>
Gain on disposal of subsidiary		112	-
Finance income	9	621	673
Finance costs	9	(1,389)	(1,326)
FX gains/(losses), net	10	13	(473)
<b>Profit before income tax expense</b>		<u>32,064</u>	<u>1,276</u>
Income tax expense	11	(3,350)	(353)
<b>Profit after income tax expense for the year attributable to the owners of Trading 212 Group Limited</b>		<u>28,714</u>	<u>923</u>
Other comprehensive income for the period, net of tax		192	349
<b>Total comprehensive income for the period attributable to the owners of Trading 212 Group Limited</b>		<u>28,906</u>	<u>1,272</u>

The above statement of comprehensive income should be read in conjunction with the Group notes

**Trading 212 Group Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2018**

	Notes	31 December 2018 £'000	31 December 2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1,610	1,180
Intangible assets	12	43	64
Investments in associates	14	202	202
Trade and other receivable	16	-	439
Deferred assets		16	13
<b>Total non-current assets</b>		<b>1,871</b>	<b>1,898</b>
<b>Current assets</b>			
Cash and cash equivalents	15	25,903	10,499
Trade and other receivable	16	4,604	3,243
Derivatives		11	6
<b>Total current assets</b>		<b>30,518</b>	<b>13,748</b>
<b>Total assets</b>		<b>32,389</b>	<b>15,646</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial lease		56	-
<b>Total non-current liabilities</b>		<b>56</b>	<b>-</b>
<b>Current liabilities</b>			
Trade and other payables	17	2,505	2,220
Financial lease		6	-
Income tax		366	235
<b>Total current liabilities</b>		<b>2,877</b>	<b>2,455</b>
<b>Total liabilities</b>		<b>2,933</b>	<b>2,455</b>
<b>Net assets</b>		<b>29,456</b>	<b>13,191</b>
<b>Equity</b>			
Share capital	18	3,132	3,132
Other reserves		720	1,602
Retained earnings		24,820	7,850
Translation reserve		784	592
Capital and reserves attributable to the owners of Trading 212 Group		29,456	13,176
Non-controlling interest		-	15
<b>Total equity</b>		<b>29,456</b>	<b>13,191</b>

These financial statements and associated notes were approved and authorised for issue by the Board of Directors on 30 September 2019.

For and on behalf of the Board:



Nicholas Luke Saunders - Director

The above statement of financial position should be read in conjunction with the Group notes

**Trading 212 Group Limited**  
**Consolidated statement of changes in equity**  
**For the period ended 31 December 2018**

	Share capital £'000	Translation Reserve £'000	Other reserves £'000	Retained earnings £'000	Non-Controlling Interest £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	<b>3,132</b>	<b>592</b>	<b>1,602</b>	<b>7,850</b>	<b>15</b>	<b>13,191</b>
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	(15)	(15)
Share premium transferred to reserves	-	-	(882)	882	-	-
Dividends paid to owners	-	-	-	(12,626)	-	(12,626)
Profit for the year	-	-	-	28,714	-	28,714
Other comprehensive income for the year	-	192	-	-	-	192
<b>Balance at 31 December 2018</b>	<b>3,132</b>	<b>784</b>	<b>720</b>	<b>24,820</b>	<b>-</b>	<b>29,456</b>

	Share capital £'000	Translation Reserve £'000	Other reserves £'000	Retained earnings £'000	Non-Controlling Interest £'000	Total equity £'000
<b>Balance at 1 January 2017</b>	<b>2,867</b>	<b>243</b>	<b>1,602</b>	<b>9,648</b>	<b>-</b>	<b>14,360</b>
Increase in share capital	265	-	-	-	-	265
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	15	15
Dividends paid to owners	-	-	-	(2,721)	-	(2,721)
Profit for the year	-	-	-	923	-	923
Other comprehensive income for the year	-	349	-	-	-	349
<b>Balance at 31 December 2017</b>	<b>3,132</b>	<b>592</b>	<b>1,602</b>	<b>7,850</b>	<b>15</b>	<b>13,191</b>

The above statement of changes in equity should be read in conjunction with the Group notes

**Trading 212 Group Limited**  
**Consolidated statement of cash flows**  
**31 December 2018**

		31 December 2018 £'000	31 December 2017 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		32,064	1,276
<b>Adjustments for:</b>			
Depreciation and amortisation	12,13	683	579
Other non-cash adjustments		136	-
Interest and other finance income		-	1
		<u>32,883</u>	<u>1,856</u>
Increase in trade and other receivables		(1,369)	(2,601)
Increase in trade and other payables		<u>478</u>	<u>557</u>
		<u>31,992</u>	<u>(188)</u>
Interest and other finance costs		-	(1)
Adjustment for impairment of subsidiaries		2	-
Gain on sale of property, plant and equipment		(5)	-
Effects of exchange rate cash		7	-
Income taxes paid		<u>(2,898)</u>	<u>(415)</u>
<b>Net cash from/(used in) operating activities</b>		<b>29,098</b>	<b>(604)</b>
<b>Cash flows used investing activities</b>			
Payments for property, plant and equipment	13	(1,207)	(860)
Payments for other intangible assets	13	(21)	-
Proceeds from sale of property, plant and equipment	13	18	9
Payments for purchase of other investments		(23)	(2)
Proceeds from sale of other investments		<u>22</u>	<u>2</u>
<b>Net cash used in investing activities</b>		<b>(1,211)</b>	<b>(851)</b>
<b>Cash flows used in financing activities</b>			
Dividends paid to shareholders	19	<u>(12,626)</u>	<u>(2,721)</u>
<b>Net cash used in financing activities</b>		<b>(12,626)</b>	<b>(2,721)</b>
<b>Net increase in cash and cash equivalents</b>		<b>15,261</b>	<b>(4,176)</b>
Cash and cash equivalents at the beginning of the year		10,499	14,302
Effects of exchange rates on cash		<u>143</u>	<u>373</u>
<b>Cash and cash equivalents at the end of the year</b>	15	<u><u>25,903</u></u>	<u><u>10,499</u></u>

The above statement of cash flows should be read in conjunction with the Group notes

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**1. General information**

Country of incorporation and principal activity

Trading 212 Group Limited has been domiciled and incorporated in the England and Wales since 19 February 2016 as a private Group limited by shares. The Group operates in the United Kingdom and its principal place of business is 107 Cheapside, London, EC2V 6DN.

Its primary business activity is managing its holdings as a financial service holding Group.

**2. Significant accounting policies**

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

**New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

New Accounting Standards and Interpretations not yet mandatory or early adopted Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2018. The Group's assessment of the impact of these new or amended Accounting Standards and interpretations, most relevant to the Group, are set out below.

**IFRS 9 Financial Instruments**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of IFRS 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest.

All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

The new impairment requirements in IFRS 9 are based on an expected credit loss model and replace the IAS 39 incurred loss model. The expected credit loss model applies to debt instruments (such as bank deposits, loans, debt securities and trade receivables) recorded at amortised cost or at fair value through other comprehensive income, plus lease receivables, contract assets and loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss.

The guiding principle of the expected credit loss model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month Expected Credit losses (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality
- Lifetime Expected Credit losses (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis



**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**2. Significant accounting policies (continued)**

**IFRS 9 Financial Instruments (continued)**

When assessing significant increases in credit risk, there are a number of operational simplifications available, such as the low credit risk simplification. Stages 2 and 3 differ in how interest revenue is recognised. Under Stage 2 (as under Stage 1), there is a full decoupling between interest recognition and impairment and interest revenue is calculated on the gross carrying amount. Under Stage 3 (where a credit event has occurred, defined similarly to an incurred credit loss under IAS 39), interest revenue is calculated on the amortised cost (i.e., the gross carrying amount after deducting the impairment allowance). The adoption of the new IFRS 9 will not have any impact on the earnings of the Group as the financial assets and liabilities are already measured at amortised cost as per the standard.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Going concern**

The Group manages its capital to ensure that entities in the Group will remain as going concern while maximizing return to shareholders. The Group had a profit for the period ended 31 December 2018. The directors are of the opinion that the Group will remain a going concern for the foreseeable future.

**Basis of preparation and consolidation**

These general purpose financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union (EU).

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 December each year. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**Historical cost convention**

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

**Critical accounting estimates**

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Revenue recognition**

Trading revenue represents gains and losses arising on client trading activity, in CFD contracts, and the transactions undertaken to hedge the risk associated with client trading activity in accordance with its matched principal broker's status.

Open client and hedging positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. The policies and methodologies associated with the determination of fair value are further discussed under Financial Instruments.

Trading revenue also includes commissions and overnight interest on open derivative positions of clients at the end of the day. Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably.

**Trading 212 Group Limited**  
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**2. Significant accounting policies (continued)**

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Deferred tax assets and liabilities are always classified as non-current.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Segregated client funds**

Prior to trading, the clients of Trading 212 UK Limited and Trading 212 Limited deposit funds with the Group companies as margin. This balance is held as collateral against client positions and is unavailable to the Group companies except insofar as when a client realises a trading loss it is taken by the companies from this balance.

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**2. Significant accounting policies (continued)**

**Segregated client funds (continued)**

Trading 212 UK Limited and Trading 212 Limited hold money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA) and Financial Supervision Commission (FSC), respectively. In the prior year, Trading 212 CY held money on behalf of clients in accordance with Cyprus Securities and Exchange Commission (CySEC). Such monies are classified as "segregated client funds" in accordance with the relevant regulatory requirements. Segregated client funds comprise individual client funds held in segregated client money accounts. Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts and are not reflected on the Group's Statement of Financial Position.

There is no interest paid on segregated client accounts.

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

**Financial instruments**

Open derivative positions are designated as financial instruments at fair value through profit or loss. This category of instruments is initially recognised at fair value on the date a derivative contract is entered into and is subsequently re-measured at the corresponding underlying asset fair value. Any resulting gains or losses are recognised in net trading revenue.

The Group's financial instruments at fair value through profit or loss comprise financial derivative open positions offset by deposits from clients in the statement of financial position.

Settling financial instruments in accordance with Trading 212 UK Limited CASS obligations, a daily client money reconciliation is performed ensuring the balance in the segregated client money accounts is equal to the net client equity (deposits, less withdrawals, plus or minus any daily trading result from derivative positions). Any client gains or losses are simultaneously settled against the client cash in accordance with the terms of the client agreement between the clients and the Group.

Apart from settlement of client trading result no other use may be made of client money. Clients may at any time request to withdraw their profits or any cash not being used as margin.

**Property, plant and equipment**

Office equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

- IT equipment                      2 or 3 years
- Machines                            4 years
- Vehicles                            4 years
- Fixtures & Fittings                7 years

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**2. Significant accounting policies (continued)**

**Property, plant and equipment (continued)**

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains or losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**Intangible assets**

Intangible assets include software. They are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use, whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed at each reporting date. Amortisation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

Software 2/3 years

Amortisation has been included within 'Depreciation, amortisation of non-financial assets'.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss within 'Gain/ (Loss) on sale of non-current assets'.

**Leases**

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted (as long as IFRS 15 is also applied).

The objective of IFRS 16 is to report information that:

- (a) faithfully represents lease transactions and;
- (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

To meet that objective, a lessee should recognise assets and liabilities arising from a lease. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on a straight-line basis. In the statement of cash flows, a lessee separates the total amount of cash paid into principal (presented within financing activities) and interest (presented within either operating or financing activities) in accordance with IAS 7.

Assets and Liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

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**2. Significant accounting policies (continued)**

**Leases (continued)**

The initial lease asset equals the lease liability in most cases.

The lease asset is the right to use the underlying asset and is presented in the statement of financial position either as part of property, plant and equipment or as its own line item.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 replaces IAS 17 effective 1 January 2019, with earlier application permitted. IFRS 16 has the following transition provisions:

- Existing finance leases: continue to be treated as finance leases.
- Existing operating leases: option for full or limited retrospective restatement to reflect the requirements of IFRS 16.

**Trade and other payables**

These amounts represent liabilities for services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Issued capital**

Ordinary shares are classified as equity.

**Share premium**

Share Premium Account represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

**Common control combinations**

Business combinations involving entities under common control fall outside the scope of IFRS3. The Management of Trading 212 Group Limited has used judgment to develop an accounting policy that provides relevant and reliable information to the users of the financial statements. Under the selected accounting policy of Trading 212 Group, common control combinations are treated in accordance with the predecessor value method.

*A predecessor value method*

The method involves:

- accounting for the value of assets and liabilities of the acquired subsidiary using existing carrying values rather than fair values no recognition of goodwill
- comparative periods are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

The selected accounting policy will be applied consistently to similar transactions over periods.

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**2. Significant accounting policies (continued)**

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

New Accounting Standards and Interpretations not yet mandatory or early adopted Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

**IFRS 16 – Leases**

IFRS 16 was endorsed by the EU in November 2017 and is effective for periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard early. Therefore, it will first be applicable to the Group's accounting period ending 31 December 2019.

**Background**

For lessors, the changes introduced by IFRS 16 are not significant, however there is a fundamental change in terms of the accounting by the lessee, including for subleases. For lessees, the 'off balance sheet' operating lease accounting treatment is no longer available, with the exception of short-term leases (less than 12 months) or 'low value' leases.

In terms of the transition to IFRS 16, the Group can choose to apply one of two transition methods: – The full retrospective transition method, whereby IFRS 16 is applied to all its contracts as if it had always been applied; or – The modified retrospective approach which includes optional practical expedients. It is expected that the Group will choose to adopt the modified retrospective approach in order to benefit from the practical expedients which are offered.

As at 31 December, the Group had future minimum rental obligations under lease contracts of £522,348 (31 December 2017: 503,640) all of which related to leased office spaces. It is expected that a substantial portion, if not all, of these lease agreements will be impacted by IFRS 16. It is not yet practicable to provide a reliable estimate of the financial impact on the Group's results, as this will be dependent on the method of transition, as well as the leases which are held at transition date. However, it is expected that there will be a material impact to the statements of financial position as the leases will be recognised as assets with a corresponding lease liability recognised for future lease payables. It is not yet practicable to provide an estimate of the impact on the income statement.

**3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

***Provision for impairment of receivables***

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

***Fair value measurement hierarchy***

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and;

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**3. Critical accounting judgements, estimates and assumptions (continued)**

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs for the asset or liability). Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

*Treatment of client derivative positions*

Client derivative positions are settled on a daily basis against client cash held in segregated accounts and thus do not appear on the statement of financial position of the group.

**4. Revenue**

	31 December 2018 £'000	31 December 2017 £'000
Net income from CFDs	<u>56,314</u>	<u>43,719</u>

**5. Other income**

	31 December 2018 £'000	31 December 2017 £'000
Gain on sale of non-current assets	4	7
Other	<u>1</u>	<u>36</u>
	<u>5</u>	<u>43</u>

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**6. Administrative expenses**

	31 December 2018 £'000	31 December 2017 £'000
Staff costs	4,829	4,919
Representative Expenses	260	238
General expenses	20	38
IT software and consumables	-	2
Printing, postage and stationery	131	106
Rent	469	466
Subscriptions	-	5
Telephone and internet	204	192
Travel	26	54
Irrecoverable VAT	427	492
Audit and accountancy	173	201
Advertising and marketing	14,618	31,055
Compliance and consulting	366	306
Insurance	-	27
Staff Training	4	8
Compensation expense	247	1,688
Other	1,155	984
	<u>22,929</u>	<u>40,781</u>

**7. Auditors' remuneration**

	31 December 2018 £'000	31 December 2017 £'000
Fees payable to the Group's auditor's in respect of:		
Audit of the consolidated Group financial statements	35	34
Audit of the subsidiary undertakings	53	40
Other assurance services	54	40
Other	-	3
	<u>142</u>	<u>117</u>



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**8. Staff costs**

Staff costs, including directors' remuneration, were as follows:

	31 December 2018 £'000	31 December 2017 £'000
Wages and salaries	4,239	4,422
Social security costs	404	406
Pension costs	28	23
Termination benefits	158	68
	<u>4,829</u>	<u>4,919</u>

**9. Finance costs and finance income**

	31 December 2018 £'000	31 December 2017 £'000
Fees and commissions	(818)	(1,313)
Interest expense	(571)	(13)
<b>Finance costs</b>	<u>(1,389)</u>	<u>(1,326)</u>
Deposits and withdrawal charges	589	673
Interest income	32	-
<b>Finance income</b>	<u>621</u>	<u>673</u>

**10. FX gains/(losses), net**

	31 December 2018 £'000	31 December 2017 £'000
Gain/(loss) from change in foreign exchange rates on receivables and payables, net	<u>13</u>	<u>(473)</u>

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**11. Income tax expense**

Taxation outside the UK is calculated at the rates prevailing in the relevant jurisdictions. Group tax is based on blended tax rate of 10.5 % for the year ended 31 December 2018 (19.9% for the year ended 31 December 2017). The tax expense in the statement of comprehensive income for the year can be reconciled as set out below:

	31 December 2018 £'000	31 December 2017 £'000
Corporation tax	3,350	353
Profit before income tax expense	32,064	1,276
Current tax	(3,311)	(255)
Tax effect of:		
Adjustments for tax-exempt income	-	66
Adjustments due to differences in tax rates	-	(87)
Adjustments for non-deductible expenses	85	(81)
Adjustments recognised for prior periods	(124)	-
Current tax expense	(3,350)	(357)
Deferred tax income:		
Origination and reversal of temporary differences	-	4
Income tax expense	(3,350)	(353)

**12. Intangible assets**

The Group's intangible assets comprise software and licenses. The carrying amounts for the reporting periods under review can be analysed as follows:

	Software £'000	Expenses for acquisition of non-current assets £'000	Others £'000	Total £'000
<b>Gross carrying amount</b>				
Balance at 1 January 2018	394	-	75	469
Additions, separately acquired	16	1	4	21
Disposals	-	(1)	-	(1)
Balance at 31 December 2018	410	-	79	489
<b>Amortization</b>				
Balance at 1 January 2018	(374)	-	(31)	(405)
Amortization	(20)	-	(21)	(41)
Currency translation difference	-	-	-	-
Balance at 31 December 2018	(394)	-	(52)	(446)
<b>Carrying amount at 31 December 2018</b>	16	-	27	43

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	Software	Expenses for acquisition of non- current assets	Others	Total
	£'000	£'000	£'000	£'000
<b>Gross carrying amount</b>				
<b>Balance at 1 January 2017</b>	374	68	26	468
Additions, separately acquired	20	2	49	71
Disposals	-	(70)	-	(70)
<b>Balance at 31 December 2017</b>	394	-	75	469
<b>Amortization</b>				
<b>Balance at 1 January 2017</b>	(301)	-	(7)	(308)
Amortization	(76)	-	(25)	(101)
Currency translation difference	3	-	1	4
<b>Balance at 31 December 2017</b>	(374)	-	(31)	(405)
<b>Carrying amount at 31 December 2017</b>	20	-	44	64

All amortisation and impairment charge (or reversals if any) are included within "Depreciation and amortisation expense" in the statement of comprehensive income.

No intangible assets have been pledged as security for liabilities.

### 13. Property, plant and equipment

Group's plant and equipment comprise IT equipment, vehicles, fixtures & fittings and equipment. The carrying amount can be analyzed as follows:

	IT equipment	Equipment	Vehicles	Fixtures & Fittings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Gross carrying amount</b>					
<b>Balance at 1 January 2018</b>	1,314	7	975	571	2,867
Additions	572	-	634	1	1,207
Disposals	-	-	(237)	-	(237)
<b>Balance at 31 December 2018</b>	1,886	7	1,372	572	3,837
<b>Depreciation</b>					
<b>Balance at 1 January 2018</b>	(1,039)	(4)	(294)	(350)	(1,687)
Disposals	-	-	102	-	102
Depreciation	(297)	-	(251)	(94)	(642)
Currency translation difference	-	-	-	-	-
<b>Balance at 31 December 2018</b>	(1,336)	(4)	(443)	(444)	(2,227)
<b>Carrying amount at 31 December 2018</b>	550	3	929	128	1,610

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	IT equipment £'000	Equipment £'000	Vehicles £'000	Fixtures & Fittings £'000	Total £'000
<b>Gross carrying amount</b>					
Balance at 1 January 2017	1,046	7	410	567	2,030
Additions	268	-	588	4	860
Disposals	-	-	(23)	-	(23)
Balance at 31 December 2017	1,314	7	975	571	2,867
<b>Depreciation</b>					
Balance at 1 January 2017	(785)	(4)	(201)	(262)	(1,252)
Disposals	-	-	21	-	21
Depreciation	(264)	-	(121)	(93)	(478)
Currency translation difference	10	-	7	5	22
Balance at 31 December 2017	(1,039)	(4)	(294)	(350)	(1,687)
<b>Carrying amount at 31 December 2017</b>	275	3	681	221	1,180

All depreciation and charges are included within "Depreciation and amortisation expense" in the statement of comprehensive income. As at 31 December 2018 there were no material contractual commitments related to acquisition of items of plant and equipment.

The Group has no plant and equipment pledged as security for its liabilities.

**14. Investments in associates**

Trading 212 Ltd holds a 9.68% voting and equity interest in EnduroSat AD (31 December 2017: 10% voting and equity interest in EnduroSat AD). The investment is accounted for at cost and its value as at 31 December 2018 is £202,000 (31 December 2017: £202,000). The stocks are not publicly traded and thus the fair value is difficult to establish. The investment is regularly tested for impairment, no impairment indications were found as at 31 December 2018.

**15. Cash and cash equivalents**

	31 December 2018 £'000	31 December 2017 £'000
Cash and cash equivalents	25,903	10,499

The directors consider that the carrying amount of cash and cash equivalents approximates their fair value. All of the Group's cash and cash equivalents at 31 December 2018 and 2017, respectively, are at floating interest rates and are in various currencies according to the geographical nature of the companies.

The Group has no restricted cash and cash equivalents.

The cash balances of customers net of the liabilities to the clients on the provided cash serving as collateral for transactions are as follows:

	31 December 2018 £'000	31 December 2017 £'000
Segregated client funds	20,238	17,479

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**16. Trade and other receivables**

	31 December 2018 £'000	31 December 2017 £'000
<b>Non-current</b>		
Advances for acquisition of non-current assets	-	439
<b>Current</b>		
Trade receivables	970	31
Prepayments	3,430	179
Receivables from guarantee deposits	94	109
Receivables from financial institutions	110	2,499
Income tax receivable	-	353
VAT receivable	-	72
	<u>4,604</u>	<u>3,243</u>

The average credit period taken on sales of investment brokerage services is less than 30 days. No interest is charged on the receivables. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Trade and other receivables are denominated in currencies GBP, EUR and USD.

**17. Trade and other payables**

	31 December 2018 £'000	31 December 2017 £'000
<b>Current</b>		
Trade payables	1,676	229
Related party loans and payables	12	681
Payables due to staff	570	-
<b>Financial liabilities</b>	<u>2,258</u>	<u>910</u>
<b>Non-financial liabilities</b>		
Tax payables	149	136
Other liabilities	98	1,174
<b>Non-financial liabilities</b>	<u>247</u>	<u>1,310</u>
<b>Current trade and other payables</b>	<u>2,505</u>	<u>2,220</u>

Refer to note 20 for further information on financial instruments.

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period taken for purchases is considered to be less than 30 days. The directors consider that the carrying amounts of trade and other payables are approximate to their fair values.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

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**18. Equity - issued capital**

	31 December 2018 £'000	31 December 2017 £'000
Share capital	<u>3,132</u>	<u>3,132</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the companies in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

*Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and exceed the minimum capital requirements set out by the relevant regulatory bodies. The Group companies held surplus capital over the regulatory requirements throughout the year.

Capital is regarded as total equity, as recognised in the statement of financial position.

**19. Equity- dividends paid**

During the year, the Group paid dividends to the owners in the amount of £12.6 million (2017: £2.7 million).

**20. Financial instruments**

**Financial risk management objectives**

The Group is exposed, through the activities of its subsidiaries, to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All the balances in the tables below are classified as Level 3 fair value measurement (excluding those classified at amortised cost):

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**20. Financial instruments (continued)**

	31 December 2018 £'000	31 December 2017 £'000
<b>Financial assets</b>		
Derivatives at fair value	11	6
Trade and other receivables at amortised cost	3,633	1,683
Cash and cash equivalents at amortised cost	<u>25,903</u>	<u>10,499</u>
	<u>29,547</u>	<u>12,188</u>
<b>Financial liabilities</b>		
Trade and other payables at amortised cost	1,917	229
Related party payables at amortised cost	<u>12</u>	<u>681</u>
	<u>1,929</u>	<u>910</u>

*Price risk*

Price risk is market risk, arising from extreme adverse market movements in the prices of open derivative positions. Due to its matched-principle broker status the Group is not exposed to any price risk.

*Interest rate risk*

The Group is not exposed to any significant interest rate risk at this time on the basis that it has no borrowings.

*Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

*Financial institutions credit risk*

Financial institutions credit risk is the risk of sustaining losses due to failure of a counterparty (financial institution) to meet its obligations towards Trading 212 UK Ltd in relation to own assets and segregated client account assets.

The Group has a strict code of credit, including obtaining agency credit information, observing credit default swaps, industry stress test results, confirming references and setting appropriate credit limits. An annual credit risk assessment of the Group's bankers is performed and measures to diversify away financial institution credit risk are implemented.

Due to its matched-principle broker status, the Group is obliged to match all client positions with mirror position with a third party. The Group is thus exposed to credit risk from its hedging counterparty. To mitigate the risk as far as possible, the Group conducts intrusive analysis of its counterparty, having access to its regulatory filings, annual accounts, liquidity stress test results and ICAAP document.

*Client credit risk*

The Group operates a real-time mark-to-market trading platform with clients' profits and losses being credited/ debited automatically to their accounts. Under the Group's trading conditions the client cannot sustain losses exceeding the funds deposited.

**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**20. Financial instruments (continued)**

*Client credit risk (continued)*

As the CFD products offered by the Group companies are margin-traded, the Group could be exposed to client credit risk in case of sudden unexpected adverse market movements. This situation arises when the client's free equity is insufficient to cover any trading losses incurred on open positions in case of adverse market movements. However, the Group's client credit risk exposure is limited by the automatic closing mechanism (margin call), imbedded in the Trading 212 platform.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral and does not have material financial assets that are overdue and impaired at the reporting date.

**Liquidity risk**

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**21. Related party transactions**

The Group's related parties include its owners, associates, other related parties under common control, key management personnel and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

**21.1. Transactions with owners**

	31 December 2018 £'000	31 December 2017 £'000
Dividends paid	12,626	2,721

**21.2. Transactions with other related parties under common control**

	31 December 2018 £'000	31 December 2017 £'000
Purchases of services from Engage Lab Ltd	54	22
Profit under contract for trading with financial instruments with FC Ever AD	158	121
Borrowing costs for fixed assets	50	(11)
	<u>262</u>	<u>132</u>



**Trading 212 Group Limited**  
**Notes to the consolidated financial statements**  
**31 December 2018**

**21.3. Related party balances at year end**

	31 December 2018 £'000	31 December 2017 £'000
Current payables from other related parties under common control	12	681

**21.4. Transactions with key management personnel**

	31 December 2018 £'000	31 December 2017 £'000
Remuneration under management contracts	215	422
Social security and pension contributions under management contracts	25	25
Directors fees	1	11
	<u>241</u>	<u>458</u>

**22. Events after the reporting period**

On 24 April 2019, Trading 212 Limited distributed dividends to Trading 212 Group Limited in the amount of £3.5 million (equivalent of EUR4.1 million). On 25 and 26 April 2019, respectively, Trading 212 Group Limited paid to its owners an interim dividend in the amount of £3.5 million (equivalent of EUR4.1 million).

Other than that, no matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**23. Authorisation of the financial statements**

The consolidated financial statements for the year ended 31 December 2018 (including comparatives) were approved by the Board on 30 September 2019.

**Registered Number 10014283**

**Trading 212 Group Limited**

**Annual report and financial statements for the year  
ended 31 December 2018**

**Trading 212 Group Limited**  
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**31 December 2018**

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**Trading 212 Group Limited**  
**Corporate Directory**  
**31 December 2018**

Directors	Borislav Tzonkov Nedialkov Nicholas Luke Saunders
Registered number	10014283
Registered office	107 Cheapside London United Kingdom EC2V 6DN
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

**Trading 212 Group Limited  
Strategic report  
31 December 2018**

**Trading 212 Group Limited Strategic report**

Trading 212 Group Limited, was incorporated in February 2016 with the intention that it would acquire and act as the holding Company for financial trading businesses. It does not conduct any commercial activities itself.

As of 31st December 2018, the Company had two subsidiaries, namely; Trading 212 UK Limited and Trading 212 Limited.

**Business Review**

The Company's subsidiaries, operate a Contracts for Difference ("CFDs") service, taking clients from all over the world. The Company's only business activity is managing its holdings as a financial service holding Company.

**Principal Risks and Uncertainties**

**The main risks arising from the Company's activities are as follows:**

**Valuation of investment**

The Company regularly assesses the value of its investments in its subsidiary undertakings to ensure that it is in the best interest of the shareholders to maintain the investment and that the value represented in the financial statements is true and fair.

**Financial Key Performance Indicators**

The net assets of the Company at the year-end was £15.42 million (2017: £15.42 million). Net assets comprises of cash and investment in subsidiaries.

**Dividends**

During the year, the directors proposed, approved and paid dividends to the owners in the amount of £12.6 million (2017: £0.1 million).

Dividend income received during the year was £12.6 million (2017: £0.15 million).

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware and;
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Further information**

The financial statements presented below are standalone financial statements of Trading 212 Group Limited.

**Auditors**

During the year Grant Thornton UK LLP was reappointed as the Company's auditor.

Grant Thornton UK LLP have expressed their willingness to continue as auditors. Grant Thornton UK LLP will be re-appointed as Trading 212 Group Limited's auditor in accordance with the elective resolution passed by Trading 212 Group Limited under section 485 Companies Act 2006.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Nicholas Luke Saunders, Director  
30 September 2019

## **Trading 212 Group Limited**

### **Independent auditor's report to the members of Trading 212 Group Limited**

**31 December 2018**

#### **Opinion**

We have audited the financial statements of Trading 212 Group Limited (the 'company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and notes to the financial statements, 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 state of the company's affairs as at 31 December 2018 and of its profit 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. 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.

#### **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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **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 the directors' report have been prepared in accordance with applicable legal requirements.

## **Trading 212 Group Limited**

### **Independent auditor's report to the members of Trading 212 Group Limited**

**31 December 2018**

#### **Matter on which we are required to report under the Companies Act 2006**

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 the directors' report.

#### **Matters on which we are required to report by exception**

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, 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 for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 6, 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: [www.frc.org.uk/auditorsresponsibilities](http://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.



**David Pearson**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

30 September 2019

**Trading 212 Group Limited**  
**Statement of comprehensive income**  
**For the period ended 31 December 2018**

	<b>31 December 2018 £'000</b>	<b>31 December 2017 £'000</b>
Revenue	<u>12,626</u>	<u>150</u>
	<b>12,626</b>	<b>150</b>
<b>Expenses</b>		
Administrative expenses	<u>-</u>	<u>-</u>
Total expenses	<u>-</u>	<u>-</u>
<b>Operating profit</b>	<u><b>12,626</b></u>	<u><b>150</b></u>
Loss on disposal of subsidiary	<u>(28)</u>	<u>-</u>
Finance income	<u>24</u>	<u>-</u>
<b>Profit before income tax expense</b>	<u><b>12 622</b></u>	<u><b>150</b></u>
Income tax expense	<u>-</u>	<u>-</u>
<b>Profit after income tax expense for the year attributable to the owners of Trading 212 Group Limited</b>	<u><b>12 622</b></u>	<u><b>150</b></u>
Other comprehensive income for the period, net of tax	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period attributable to the owners of Trading 212 Group Limited</b>	<u><b>12 622</b></u>	<u><b>150</b></u>

These financial statements and associated notes were approved and authorised for issue by the Board of Directors on 30 September 2019.



**Trading 212 Group Limited**  
**Statement of financial position**  
**As at 31 December 2018**

	Notes	31 December 2018 £'000	31 December 2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	4	15,310	15,360
<b>Total non-current assets</b>		<u>15,310</u>	<u>15,360</u>
<b>Current assets</b>			
Cash and cash equivalents	5	106	60
<b>Total current assets</b>		<u>106</u>	<u>60</u>
<b>Total assets</b>		<u>15,416</u>	<u>15,420</u>
<b>Liabilities</b>			
<b>Total liabilities</b>		<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>15,416</u>	<u>15,420</u>
<b>Equity</b>			
Share capital	6	3,132	3,132
Other reserves		12,238	12,238
Retained earnings		<u>46</u>	<u>50</u>
<b>Total equity</b>		<u>15,416</u>	<u>15,420</u>

These financial statements and associated notes were approved and authorised for issue by the Board of Directors on 30 September 2019.

For and on behalf of the Board



Nicholas Luke Saunders – Director  
30 September 2019

The above statement of financial position should be read in conjunction with the Group notes

**Trading 212 Group Limited**  
**Statement of changes in equity**  
**For the period ended 31 December 2018**

	Share capital £'000	Other Reserves £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	<b>3,132</b>	<b>12,238</b>	<b>50</b>	<b>15,420</b>
Dividends paid	-	-	(12,626)	(12,626)
Profit for the year	-	-	12,622	12,622
<b>Balance at 31 December 2018</b>	<b><u>3,132</u></b>	<b><u>12,238</u></b>	<b><u>46</u></b>	<b><u>15,416</u></b>

	Share capital £'000	Other Reserves £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2017</b>	<b>510</b>	<b>1,320</b>	<b>-</b>	<b>1,830</b>
Allotment of shares against non-cash contribution of the share capital of Trading 212 Limited	2,181	10,509	-	12,690
Allotment of shares against non-cash contribution of the share capital of Trading 212 CY Limited	441	409		850
Dividends paid	-	-	(100)	(100)
Total comprehensive income for the year	-	-	150	150
<b>Balance at 31 December 2017</b>	<b><u>3,132</u></b>	<b><u>12,238</u></b>	<b><u>50</u></b>	<b><u>15,420</u></b>

**Trading 212 Group Limited**  
**Statement of cash flows**  
**For the period ended 31 December 2018**

	31 December 2018	31 December 2017
	£'000	£'000
<b>Cash flows from operating activities</b>		
Profit before income tax expense for the period	8 12,622	150
<b>Adjustments for:</b>		
Interest and other finance income	(12,622)	(150)
Other non-cash adjustments	<u>24</u>	<u>-</u>
<b>Net cash from operating activities</b>	<b>24</b>	<b>-</b>
<b>Cash flows from investing activities</b>		
Dividends received	8 12,626	150
Payments for purchase of investments in subsidiary	(800)	-
Proceed from sale of investments in subsidiary	<u>822</u>	<u>-</u>
<b>Net cash from investing activities</b>	<b>12,648</b>	<b>150</b>
<b>Cash flows from financing activities</b>		
Dividends paid	8 <u>(12,626)</u>	<u>(100)</u>
<b>Net cash from financing activities</b>	<b>(12,626)</b>	<b>(100)</b>
 Net increase in cash and cash equivalents	 <b>46</b>	 <b>50</b>
Cash and cash equivalents at the beginning of the financial period	<u>60</u>	<u>10</u>
 Cash and cash equivalents at the end of the financial period	 5 <u><u>106</u></u>	 <u><u>60</u></u>

**Trading 212 Group Limited**  
**Notes to the financial statements**  
**31 December 2018**

**1. General information**

*Country of incorporation and principal activity*

The Company has been domiciled and incorporated in the England and Wales since 19 February 2016 as a private Company limited by shares. The Company operates in the United Kingdom and its principal place of business is 107 Cheapside, London, EC2U 6DN.

Its only business activity is managing its holdings as a financial service holding Company.

**2. Significant accounting policies**

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

**New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The effects of such changes on the financial report of Trading 212 Group Limited have not been fully investigated.

**Going concern**

The directors intend to perform a regular review of the performance of the Company against forecasts to ensure that they are able to react on a timely basis to opportunities and issues as they arise. The Company has no activity in the period ended 31 December 2016, apart from acquiring holdings in Trading 212 UK Limited. It is well capitalised and the directors are of the opinion that the Company will remain a going concern for the foreseeable future.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union (EU).

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Revenue recognition**

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably.

Revenue from dividends is recognised when the shareholder's right to receive payment is established.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

**Trading 212 Group Limited**  
**Notes to the financial statements**  
**31 December 2018**

**2. Significant accounting policies (continued)**

**Income tax (continued)**

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

**Trading 212 Group Limited**  
**Notes to the financial statements**  
**31 December 2018**

**2. Significant accounting policies (continued)**

**Investments in subsidiaries**

Investments in subsidiaries are stated at cost less accumulated impairment losses.

Trade and other payables These amounts represent liabilities for services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

**Share capital**

Ordinary shares are classified as equity.

**3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Predecessor value method applied to common control combinations*

The Management has exercised reasonable judgement to select an appropriate accounting policy for treatment of common control combinations, which provides relevant and reliable information in accordance with IAS 8.

**4. Non-current assets - investments in subsidiaries**

	31 December 2018 £'000	31 December 2017 £'000
Investment in subsidiaries	<u>15,310</u>	<u>15,360</u>

Investment in subsidiaries include Trading 212 Group's Limited investment in Trading 212 UK Limited and Trading 212 EOOD.

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**5. Current assets - cash and cash equivalents**

	31 December 2018 £'000	31 December 2017 £'000
Cash at bank	<u>106</u>	<u>60</u>

The directors consider that the carrying amount of cash and cash equivalents approximates their fair value. The Company's cash and cash equivalents at 31 December 2018 and 31 December 2017 are denominated in GBP and EUR, respectively.

**6. Equity - share capital**

	31 December 2018 £'000	31 December 2017 £'000
Ordinary shares	510	510
Allotment of shares against non-cash consideration	<u>2,622</u>	<u>2,622</u>
	<u><b>3,132</b></u>	<u><b>3,132</b></u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

*Allotment of share against non-cash consideration*

As of 12 October 2016, the shareholders of Trading 212 UK Limited, Borislav Nedialkov and Ivan Ashminov, contributed 100% of their holdings in Trading 212 UK Limited in the capital of Trading 212 Group Limited. The Contribution Shares represented 510,000 ordinary shares of £1.00 each. The Consideration for the contribution of the Contribution Shares was satisfied by the allotment and issue by Trading 212 Group Limited to the Shareholders (in equal proportions) 510,000 ordinary shares of £1.00 each, credited as fully paid up as of the date of the contribution.

Capital is regarded as total equity, as recognised in the statement of financial position: In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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**7. Equity - retained earnings**

	<b>31 December 2018 £'000</b>	<b>31 December 2017 £'000</b>
Accumulated profits for the year	<u>45</u>	<u>50</u>
Accumulated profits at the end of the year	<u>45</u>	<u>50</u>

**8. Related party transactions**

In 2018 Trading 212 Group Limited disposed 100% of the capital of Trading 212 CY Limited for £822,000.

	<b>31 December 2018 £'000</b>	<b>31 December 2017 £'000</b>
Acquisition of Trading 212 EOOD through non-cash consideration for shares	-	12,689
Acquisition of Trading 212 CY Limited through non-cash consideration for shares	-	851
Dividends received	<b>12,626</b>	150
Dividends paid	<b>(12,626)</b>	(100)
Disposal of subsidiary, Trading 212 CY Limited	<b>822</b>	-

The ultimate controlling parties of Trading 212 Group Limited are Borislav Nedialkov and Ivan Ashminov.

The management personnel remuneration during the period does not differ from the director's remuneration.

Borislav Nedialkov assumes the role of a Director and ultimate beneficial owner (with a 50% stake) in both Trading 212 Group Limited and Trading 212 UK Limited.

**9. Events after the reporting period**

On 24 April 2019, Trading 212 Limited distributed dividends to Trading 212 Group Limited at the amount the of £ 3,539,980 (equivalent of EUR 4,090,335). On 25 and 26 April 2019, Trading 212 Group Limited paid to its owners an interim dividend at the amount of £ 3,532,399 (equivalent of EUR 4,090,335).

Other than that, no matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.