
MONECOR (LONDON) LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Registered number: 00851820



Company Information

DIRECTORS

A Bud
A Edwards
C Hafner (appointed 15 April 2016)
R Houldsworth (resigned 14 March 2016)
E Marlow (resigned 14 March 2016)
J Nader (resigned 29 February 2016)
R Nagioff
M Preston (appointed 14 March 2016)
P Sugarman
A Tahmassebi (appointed 21 March 2016)
J Wilson
A Woolley

COMPANY SECRETARY

P-A Sun (resigned 11 April 2016)
J Havita (appointed 11 April 2016 and resigned 7 September 2016)
Waterstone Company Secretaries Limited (appointed 29 September 2016)

REGISTERED NUMBER

00851820

REGISTERED OFFICE

One Broadgate
London
EC2M 2QS

Strategic Report

The directors present their review of the activities of the Company for the year ended 31 December 2016. The directors, in preparing this strategic report have complied with s414C of the Companies Act 2006.

Background

The Company carries on the business of providing execution-only financial contracts for difference (CFDs), financial spread bets and binary options. The Company provides these services from the United Kingdom and is Authorised and Regulated by the FCA – Firm Reference Number 124721. These services are provided to retail (“web”), professional and institutional clients across the world (except for the USA and restricted list countries).

The business offers three online trading platforms on which its customers can execute trades:

1. A proprietary platform – ‘iTrade’ on which customers can trade spreadbets or CFDs on equities, FX, commodities and indices;
2. A third-party platform – ‘MT4’ (by Meta Trader) on which customers can trade spreadbets or CFDs on equities, FX, commodities and indices; and
3. A third-party binary trading platform – ‘Markets Pulse’.

The Company interacts with the majority of its clients through its online presence at www.etxcapital.com but also provides voice trading services. The Company’s strategy remains to increase its penetration in the online retail segment of the business, which the directors believe will leverage the existing capabilities most effectively. This is done in a measured way by taking into account the channel profitability and sophistication of the market. Retail customers are acquired primarily through digital channels and from introducing brokers.

The Company believes that having a high quality multi-asset online trading platform across PC, mobile and tablet is key to the success of the business. This, in conjunction with a smooth online on-boarding process, has been the focus of management and the Company’s information technology development team during the year.

During the year the Company made a one off upfront payment to an affiliate for the opportunity to market to a number of potential customers whose existing service offering was being finalised. These customers were successfully integrated resulting in £3.8million of deposits and an additional 1,200 customers trading in the year.

2016 Performance

The Company’s revenue is driven by three main constituents: spread revenue representing the commission the Company makes on every trade; funding where the Company charges its customers for holding overnight positions; and the net impact of hedging. Spread revenue represents the majority of the revenue and accounted for circa 71% of total revenue in 2016, compared to 87% in 2015. This was driven primarily by a decrease in transaction volumes. Funding revenue accounted for 22% of revenue in 2016 compared to 19% in 2015.

The Group made a loss of £2,674k in 2016, compared to a profit of £968k in 2015. During the year, the Company made a number of strategic decisions to refocus its web operations to become a marketing led organisation with a focus on premium customers, whilst maintaining its strategic partnerships in Eastern Europe and Scandinavia. This led to a reduction in business from high pay-away channels such as China and introducer led business. This impacted short term profitability, as marketing investment is upfront, with a subsequent earning stream from customers, whereas introducing brokers are primarily paid on a revenue share arrangement. The operating cost base and capital expenditure have continued to be tightly managed, with both broadly flat year-on-year.

Strategic Report

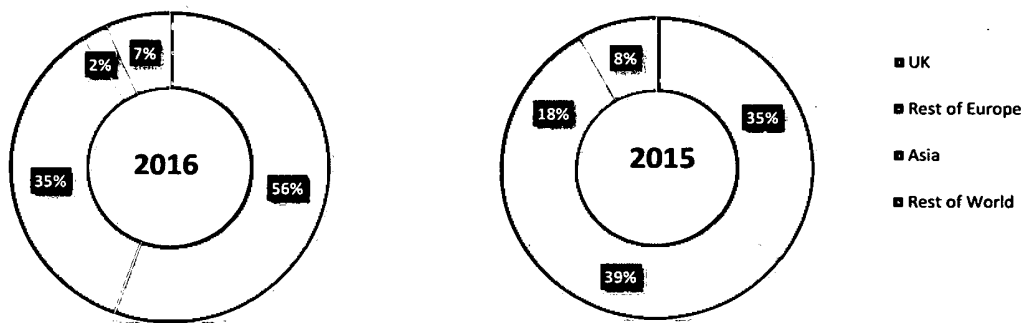
The web business generated spread revenue of £20.9m, down 32% from 2015. The Chinese and introducing broker business accounted for 83% of this fall. Total commission paid to introducing brokers fell by £4.2m, down 40% from 2015. Conversely, marketing investment rose by £2.4m, up 126% on 2015.

Professional and institutional clients generated revenue of £7.5m, down 19% on 2015. Professional clients are primarily voice serviced and the Company believes this level of personal contact is key to delivering a differentiated service. Trading volumes were down in 2016, with a number of key customers having lower activity. The majority of these customers continue to trade with the Company.

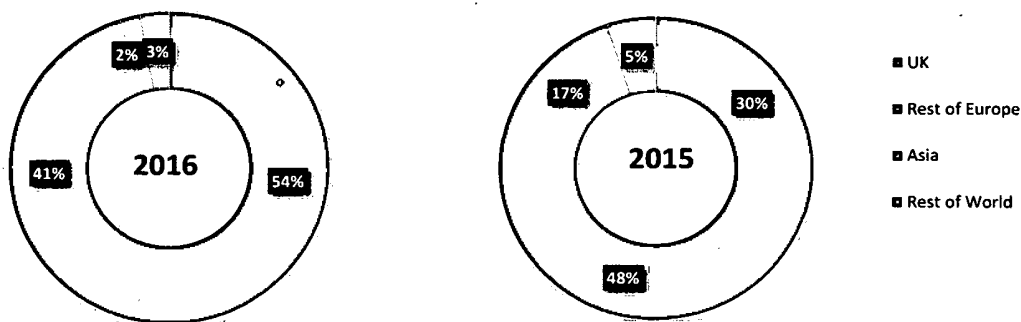
The Director’s view is that the rate of new account openings and the amount of first time deposits are the most important indicators of revenue growth. The change in strategy has resulted in a 36% fall in new traded accounts and a 42% fall in the value of deposits from year 1 customers.

The Company’s focus is around generating quality business from its own sourced marketing business and its key tied agent partners in Scandinavia and Eastern Europe. The tables below indicate that the UK generated a significantly larger proportion of first trades and deposits in 2016 than 2015.

Geographic analysis of new traded accounts



Geographic analysis of new in year web deposits



In view of the investment made into its language online trading platforms and the ongoing low cost of maintaining these sites, the company will continue to offer 13 languages including English, German, French, Italian, Spanish, Greek, Chinese, two Scandinavian and four further Central European languages. This ensures access to over 2 billion potential customers including over 90% of the EU. The directors believe in a balanced approach to expansion and whilst the United Kingdom is a more mature market, there is still opportunity to increase market share.

Strategic Report

Risk Environment

The Company operates in a fast evolving, regulated environment where customer satisfaction in all aspects of service delivery is key to success. The risk environment is characterised as the failure to deliver the services the clients require in a compliant manner. The main risk areas identified by the directors are summarised below.

Market risk: This risk arises where positions are not fully hedged. The Company operates a model where not all web customer positions are hedged and the Company takes on a principal position.

The Board has set risk limits for each of the main asset classes in which it transacts and sub risk limits for the underlying instruments in that class. The Company's risk management systems allow monitoring of its exposures in real time, to enable the Company to hedge as agreed risk limits are approached. These limits are regularly reviewed by the Company.

Professional, institutional and large online customers' positions are hedged immediately. The Company maintains a number of hedging lines with financial institutions (Prime Brokers) to execute these hedges and ensures that it does not become overly reliant on one Prime Broker.

In addition, the Company has entered into swap arrangements with its parent, Kytos Limited, where a certain proportion of the Company's unhedged positions are passed to Kytos Limited in return for a fee.

During 2016, there were two significant events that led to a high level of intraday volatility: the UK voting to leave the European Union and the election of Donald Trump as President of the United States. The Company managed its positions around these events so its level of market risk was not significant and neither event adversely impacted its profit and loss.

Liquidity risk: This risk arises if the Company fails to meet its payments to brokers, clients or suppliers as they fall due. Retail customer monies are segregated in client money accounts in accordance with the FCA rules on Clients Assets. The Company actively manages its liquidity by maintaining adequate liquid assets and closely monitoring cash absorption. The Company has developed a recovery plan which has identified a significant number of indicators for risk/threats and a series of corrective steps that can deliver a significant amount of liquidity should it be required.

Credit risk: This risk arises if a counterparty, whether a financial institution or a customer, defaults on their contractual obligations, resulting in a financial loss to the Company. Whilst financial counterparty credit risk is inherent to the business model the Company operates in, the Company seeks to mitigate its risk by only using institutions with good credit ratings and it avoids concentration by maintaining relationships with a number of banks and prime brokers.

In respect of client credit risk, the Company ensures that it obtains sufficient cash collateral to mitigate its risk from financial loss as a result of default. If a customer fails to deliver sufficient collateral, the Company will close the exposure in a timely manner. Collateral was increased around the EU referendum and the US Presidential election and no significant defaults were incurred.

Systems risk: This risk arises from the Company's reliance on systems to deliver the customer service. The Company continues to evaluate the robustness and functionality of third-party software and, where appropriate, bring the services in house.

Following the acquisition of the supplier of the Company's main trading platform in 2014, the Company has continued to develop the infrastructure and functionality around this platform.

The Company is aware that cyber-attacks are becoming increasingly more sophisticated and continues to invest in preventative measures.

Strategic Report

The Business Continuity Plan is maintained and documented and is reviewed constantly and tested periodically throughout each year.

Internal control risk: This risk arises from the potential for gaps or weaknesses in any system of internal controls to permit error or fraud to occur and cause consequential losses for the Company.

The Company mitigates this risk in general by ensuring that Policies and Procedures are comprehensive and clearly documented and that adherence is periodically tested.

The Company has engaged an external accounting firm to carry out internal audit control reviews in key areas such as governance, client assets, dealing and information technology.

Client segregation remains an area of key focus, with additional controls being put in place to ensure that the FCA CASS rules are adhered to.

This has resulted in the Company strengthening its 'three lines of defence' internal control model comprising front line staff, oversight functions and relevant committees.

Regulatory risk: This risk arises if the Company does not fully comply with the full range of regulations and its licence obligations. The Company is exposed to law and regulation changes in a number of areas, including tax treatment, stamp duty, leverage limits, betting duty, reporting and disclosure requirements, short selling restrictions and financial promotion rules.

A key area of regulatory focus for the Company is compliance with Anti-Money Laundering ("AML") and Know Your Customer ("KYC") regulations. During the year, the Company redesigned its onboarding procedures and ongoing monitoring controls.

2016 saw significant developments in the regulatory framework in the European Union.

In December 2016, the FCA issued a consultation on enhancing its conduct of business rules for firms providing CFDs to retail clients. The package of proposed reforms included a standardised risk warning and mandatory profit-loss disclosures to better illustrate the risk of CFD products; lower leverage limits for inexperienced retail clients that have less than 12 months of active trading experience in CFD products, with an overall maximum of 25:1; higher leverage limits for experienced retail clients but subject to an overall maximum of 50:1; a prohibition on firms using any form of trading or account opening bonuses or benefits to promote retail CFD products and platforms; and a restriction on financial promotions for incoming EEA firms that do not adopt comparable measures when offering retail CFD products to UK clients. The FCA intends to publish the final rules in late Spring of 2017.

In addition, further regulatory initiatives are underway across Europe which are intended to increase the protection afforded to retail clients trading CFD products. These vary from country to country and include leverage controls, blanket bans on marketing and distribution of CFDs, negative balance protection and the prohibition of trading or account opening incentives.

In January 2018, the Markets in Financial Instruments Directive 2 ("MiFID II") is expected to come into force. This will result in Binary Options being designated an investment product and significantly increased transaction reporting requirements for investment products.

The Company is actively monitoring these developments and evaluating the implications for the business in respect of revenue, cost of acquisition and operating costs.

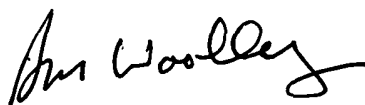
The Company continues to make significant investment in compliance and legal resources to address these risks. The Company believes that its in-house professional teams and external advisors ensure that the Company addresses these regulatory issues before they can crystallise risk to the Company.

Geo-political risk: This risk arises from the change in a country's relations with another country or Group of countries. The decision of the United Kingdom to exit the European Union in March 2019 may have significant implications for the way the Company transacts with customers in the EU 27.

Strategic Report

The Company currently has product passports in all EU 27 countries and branch passports in 5 of the EU 27 countries. In 2016, the Company earned £9.4m of spread and funding revenue from retail customers in the EU 27 and paid out £5.5m of acquisition costs. If the rights to passport were lost in 2019, the Company or its parent would establish a separate legal entity in one of the EU 27 in order to continue to service EU customers. It is likely that the Company will provide significant services to this new EU company including introducing customers, licensing its technology, back office support and providing hedging liquidity. The Company will actively monitor the negotiations between the EU 27 and the United Kingdom in regard to financial services trade arrangements and its implications for the Company.

This report was approved by the Board and signed on its behalf by:



Andrew Woolley
Chief Financial Officer
25 April 2017

Directors' Report

The directors present their annual report, the financial statements and the auditor's report for the year ended 31 December 2016.

Directors

A Edwards
A Tahmassebi (appointed 21 March 2016)
J Wilson (executive director until 4 July 2016)
A Woolley

Non-Executive Directors

A Bud
C Hafner (appointed 15 April 2016)
R Houldsworth (resigned 14 March 2016)
E Marlow (resigned 14 March 2016)
J Nader (resigned 29 February 2016)
R Nagioff
M Preston (appointed 14 March 2016)
P Sugarman
J Wilson (non-executive director from 4 July 2016)

All directors served throughout the year except where noted above.

Results and dividends

The loss for the year after taxation, amounted to £2,674k (2015 profit: £968k) as shown in the Group Income Statement on page 14.

The directors do not propose a dividend for the year (2015: £nil).

Going concern

With recent and ongoing economic conditions and uncertainties, the directors have given particular and careful consideration in order to satisfy themselves that it is reasonable and appropriate to prepare the financial statements on a going concern basis. The directors' assessment of the Company in respect of going concern and liquidity risk has been based on an analysis of a number of business aspects. Those aspects included:

- Profit and cash flow, including scenario stress testing;
- Borrowing requirements;
- Liability management;
- Contingent liabilities;
- Evolving regulatory environment;
- Products and markets;
- Financial risk management; and
- Other factors and financial adaptability.

During 2016, there were additional capital injections from the shareholders totalling £1,980,000 and having taken all the above considerations into account, the directors are of the opinion that as of the date of these accounts, the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.

Insurance and indemnities

The Company pays for liability insurance for all directors and officers.

Directors' Report

Donations

The Company made no political donations in the year (2015: £nil). The Company made charitable donations of £1,480 in the year (2015: £23,433).

Auditor

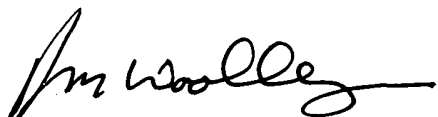
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board and signed on its behalf by:



Andrew Woolley
Chief Financial Officer
25 April 2017

Directors' Responsibilities

Directors' Responsibility Statement

Company 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 (IFRSs) as adopted by the European Union. In accordance with Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, International Accounting Standard (IAS) 1 requires directors to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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 are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONECOR (LONDON) LIMITED

We have audited the financial statements of Monecor (London) Limited for the year ended 31 December 2016 which comprise the Group Income Statement, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cashflows and the related notes 1 to 28. 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.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report

Opinion on other matter 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.

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 any material misstatements in the Strategic Report and the Directors' Report.

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 6 to the financial statements for the financial year ended 31 December 2016 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the 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.



James Polson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 April 2017

Group Income Statement for the year ended 31 December 2016

Group	Notes	2016 £'000	2015 £'000
Trading revenue	7	34,266	41,203
Interest income on segregated client funds	7	65	77
Total revenue		34,331	41,280
Commissions and rebates	8	(11,112)	(14,027)
Net operating income		23,219	27,253
Administrative expenses	8	(26,083)	(26,262)
Operating profit		(2,864)	991
Finance income	11	170	124
Finance costs	12	(275)	(236)
Profit before taxation		(2,969)	879
Taxation	13	295	89
Profit for the year attributable to owners of the parent		(2,674)	968

All amounts relate to continuing operations.

There were no items of other comprehensive income or loss for 2016 or 2015 other than those included in the Group Income Statement.

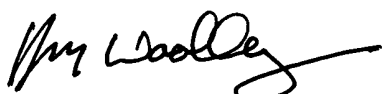
The notes on pages 18 to 45 form part of these Financial Statements.

Statement of Financial Position as at 31 December 2016

	Notes	Group		Company	
		As at 31 December		As at 31 December	
		2016	2015 (restated)	2016	2015 (restated)
		£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	1,479	2,449	1,602	2,508
Intangible assets	15	4,855	4,815	2,400	2,359
Investment in subsidiary	16	-	-	4,152	4,152
Deferred tax asset	19	1,647	1,324	1,496	1,103
Total non-current assets		7,981	8,588	9,650	10,122
Current assets					
Trade and other receivables	17	34,465	49,306	34,451	49,301
Financial instruments	18	12,440	69,074	12,440	69,074
Cash and cash equivalents	20	17,199	45,915	17,139	45,915
Total current assets		64,104	164,295	64,030	164,290
TOTAL ASSETS		72,085	172,883	73,680	174,412
LIABILITIES					
Current liabilities					
Trade and other payables	21	60,886	160,991	61,630	161,818
Income tax payable		(23)	(23)	(23)	(23)
TOTAL LIABILITIES		60,863	160,968	61,607	161,795
EQUITY					
Equity attributable to the owners					
Share capital	22	14,093	14,011	14,093	14,011
Share premium		1,957	58	1,957	58
Retained earnings		(4,828)	(2,154)	(3,977)	(1,452)
TOTAL EQUITY		11,222	11,915	12,073	12,617
TOTAL EQUITY AND LIABILITIES		72,085	172,883	73,680	174,412

The company's loss after tax was £2,526k (2015: £1,254k profit).

The Financial Statements were approved by the Board on 25 April 2017 and signed on its behalf by:



Andrew Woolley
Chief Financial Officer

Registered Number: 00851820

The notes on pages 18 to 45 form part of these Financial Statements

Statement of Changes in Equity for the year ended 31 December 2016

Group	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Equity £'000
At 01 January 2015	14,011	58	(3,122)	10,947
Profit for the year	-	-	968	968
At 31 December 2015	14,011	58	(2,154)	11,915
Issue of Share Capital	82	1,899	-	1,981
Loss for the year	-	-	(2,674)	(2,674)
At 31 December 2016	14,093	1,957	(4,828)	11,222

Company	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Equity £'000
At 01 January 2015	14,011	58	(2,706)	11,363
Share based awards (growth shares)	-	-	-	-
Profit for the year	-	-	1,254	1,254
At 31 December 2015	14,011	58	(1,452)	12,617
Issue of Share Capital	82	1,899	-	1,981
Loss for the year	-	-	(2,525)	(2,525)
At 31 December 2016	14,093	1,957	(3,977)	12,073

The notes on pages 18 to 45 form part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December 2016

	Notes	Group		Company	
		2016	2015	2016	2015
		£'000	(restated) £'000	£'000	(restated) £'000
Cash flows from operating activities					
Operating profit		(2,864)	991	(3,386)	574
Adjustments:					
Depreciation	14	1,363	1,679	1,299	1,522
Amortisation	15	1,642	850	1,642	850
(Increase)/decrease in trade and other receivables		71,447	(9,320)	71,456	(10,958)
Increase/(decrease) in trade and other payables		(100,105)	41,356	(100,188)	43,001
Cash generated from operations:		(28,517)	35,556	(29,177)	34,989
Income tax paid		-	(52)	-	(52)
Net cash (used in)/from operating activities		(28,517)	35,504	(29,177)	34,937
Cash flows from investing activities					
Interest received	11	170	124	170	124
Dividends received	25	-	-	600	600
Acquisition of property, plant and equipment	14	(393)	(1,108)	(393)	(1,106)
Acquisition of intangibles	15	(1,682)	(2,483)	(1,682)	(2,483)
Net cash used in investing activities		(1,905)	(3,467)	(1,305)	(2,865)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	22	1,981	-	1,981	-
Interest paid	12	(275)	(236)	(275)	(236)
Repayment of borrowings		-	(1,500)	-	(1,500)
Net cash from/(used in) financing activities		1,706	(1,736)	1,706	(1,736)
Net (decrease)/increase in cash and cash equivalents		(28,716)	30,301	(28,776)	30,336
Cash and cash equivalents at the beginning of the year	20	45,915	15,614	45,915	15,579
Cash and cash equivalents at the end of the year	20	17,199	45,915	17,139	45,915

The notes on pages 18 to 45 form part of these Financial Statements.

1 REPORTING ENTITY

Monecor (London) Limited, ("the Company"), is incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Group as at 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in the provision of online retail trading financial services.

2 BASIS OF PREPARATION

2.1 Basis of accounting

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments (assets and liabilities) which are measured at Fair Value Through Profit and Loss ("FVTPL").

Details of the Group's accounting policies are included in note 3.

2.2 Functional currency

These consolidated financial statements are presented in Sterling, which is the Group's functional currency.

2.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The nature of such estimates means that actual outcomes could differ. In the directors' opinion, the estimates or judgements that have the most significant impact on the financial statements are:

Impairment of goodwill and other assets

The Group undertakes an annual review on whether any of its assets have suffered impairment. Assets that are subject to amortisation or depreciation, and goodwill, are reviewed to assess whether their carrying values may not be recoverable. If it is considered that the estimated recoverable value (higher of fair value less costs to sell and value in use) is less than the carrying value, an impairment loss is recognised. Details of the impairment of intangibles and investments are provided in notes 15 and 16.

Impairment of trade receivables

The amounts owed by customers are regularly reviewed by the Group. The recoverability of these amounts is dependent on the Group's ability to collect the balances due from a small number of individuals. The directors have provided for these debts where it is considered that there is a risk of non-recovery.

Fair valuation of financial instruments

The Group holds financial instruments on the Statement of Financial Position that have been valued at fair value. Details of these assets and liabilities and the method of valuation used are provided in note 18.

Notes to the Financial Statements for the year ended 31 December 2016

Income taxes

The Group is subject to corporation tax in the United Kingdom. The calculation of the tax charge is subject to a degree of judgement, as the tax treatment of certain balances cannot be determined until resolution with the relevant tax authorities has been met. As a result, the Group has provided for potential tax liabilities using estimates that are subject to amendment in the period that the final income tax and deferred tax provisions are concluded (note 19).

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and the subsidiaries that it controls. Subsidiaries are consolidated from the date of their acquisition (being the date of control) and continue to be consolidated until the date that this control ceases. The financial statements of the subsidiary companies are prepared for the same reporting year as the Company and are based on consistent accounting policies. All inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

3.2 Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in the income statement.

3.3 Revenue recognition

Revenue comprises market-making profits earned from trading in contracts for difference and financial spread betting together with associated income and expenses derived from these financial instruments. Revenue is shown net of VAT and client rebates but gross of introducing partner commission which is recognised as an operating expense in arriving at net operating income.

Revenue is recognised in the Group's income statement when it is considered probable that the economic benefits associated with the transaction will flow to the Group and can be reliably measured.

Interest income earned from segregated client funds is recognised on an accruals basis within revenue, by reference to the principal outstanding and at the interest rate applicable.

3.4 Finance income and finance costs

The Group's finance income and finance costs are recognised on an accruals basis by reference to the principal amount charged at the effective rate of interest. Interest income on bank accounts holding segregated client funds is included within net revenue.

3.5 Taxation

The income tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or

Notes to the Financial Statements for the year ended 31 December 2016

deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is accounted for on all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences may be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply when the related asset is realised or liability is settled. Deferred tax is charged or credited in the Group Income Statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recognised in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.6 Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

3.7 Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the assets to a condition suitable for its intended use.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the Income Statement.

Depreciation is calculated to write off the cost or fair value, less estimated residual value of each asset on a straight-line basis over its expected useful life and is recognised in the Income Statement. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- | | |
|--------------------------|-------------|
| • Furniture and fixtures | 5 years |
| • Computer equipment | 4 years |
| • Computer software | 2 - 3 years |

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and are then written down to the recoverable amount.

3.8 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's interest in identifiable assets, liabilities and contingent liabilities of a subsidiary, at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses.

3.9 Intangible assets

Acquired client lists and customer relationships are recognised as intangible assets at fair value if the assets are separable or arise from contractual or legal rights and the fair value can be reliably measured.

Software expenditure incurred on the development of the Group's trading, settlement and risk management systems is capitalised to the extent that the asset is expected to deliver future benefits at least as great as the amount capitalised.

Software development costs that are directly attributable to bringing a computer system or other computer operated machinery into working condition for its intended use within the business are treated as part of the cost of the related hardware rather than as a separate intangible asset.

Development expenditure is recognised as an intangible asset only after the following criteria are met:

- The project's technical feasibility and commercial viability can be demonstrated;
- The availability of adequate resources and an intention to complete the project have been confirmed;
- The correlation between development costs and future revenue has been established;
- The project will generate probable future economic benefits; and
- The Group is able to measure reliably the expenditure attributable to the asset during development.

Following initial recognition, intangibles are carried at cost less accumulated amortisation. Intangibles are amortised on a straight-line basis over their expected useful lives as follows:

- Development costs 3 years
- Client lists and customer relationships 2 years

3.10 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses in respect of goodwill are not reversed; for all other non-financial assets impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have existed, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Trade receivables and trade payables

Trade receivables which have resulted from profit or loss on open positions, are held at fair value on the Statement of Financial Position.

Amounts due from or to brokers, classified as loans and receivables, are netted against other assets or liabilities with the same counterparty when there is an intention, and a right, for the Group to settle on a net basis.

Amounts due to clients, is a combination of the value of all derivative open positions that clients hold and the cash balances held on account. As the Group has the right to settle on a net basis, the profit and loss incurred by clients is netted off against the balances held by clients. Amounts due from clients occurs when the combination of a client's open positions and their cash balance results in an amount due to the Group.

Trade receivable balances are reviewed regularly and provisions established where recoverability is uncertain.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise of all current account balances and bank deposits. In accordance with the Client Asset rules of the FCA and other regulatory bodies, the amounts held on behalf of clients and the related liabilities to these clients are not included on the balance sheet, as there is no beneficial entitlement to the Group.

The amount of segregated client funds held at the Statement of Financial Position date is disclosed in note 20.

3.13 Operating Leases

Leases where the lessor retains substantially all the risks and benefits of the asset are classified as operating leases. Lease payments made under an operating lease are recognised as an expense in the income statement, on a straight-line basis, over the duration of the lease term.

3.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Termination benefits

Termination benefits are payable when an employment contract is terminated by the Group. The Group recognises termination benefits where an offer is irrevocable.

3.15 Share based payments

Equity settled share based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

3.16 Financial instruments at fair value through profit or loss

Financial instruments relate to exchange, non-exchange traded investments and derivative financial instruments such as financial spread betting contracts and contracts for difference and are classified as held for trading if they are expected to settle in the short term.

The financial instruments are initially measured at fair value. The Company determines the classification of financial assets and liabilities at initial recognition and re-evaluates this designation at each financial year end where applicable.

The Company uses derivative financial instruments, in order to hedge exposures resulting from derivatives contracts with clients, which are also classified as held for trading.

3.17 Standards issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however the

Notes to the Financial Statements for the year ended 31 December 2016

Group has not applied the following new or amended standards early in preparing these consolidated financial statements:

- **IFRS 9 Financial instruments.** This standard replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
- **IFRS 15 Revenue from contracts with customers.** This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
- **IFRS 16 Leases.** This standard deals with how to re-measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

The Group is in the process of assessing the full impact of IFRS 9, IFRS 15 and IFRS 16 on the consolidated financial statements.

3.18 Changes in accounting policy

In previous Group financial statements, segregated client funds were included within 'cash and cash equivalents' on the Statement of Financial Position. The corresponding liabilities to clients were included within 'trade and other payables' as 'amounts due to clients'.

In order to better reflect the statutory restrictions placed on the Group's ability to control client funds and to increase comparability with the Group's peers, segregated client funds have been excluded from the Statement of Financial Position.

The impact of the change in accounting policy to the previous year's financial statements is disclosed in note 27.

4 FINANCIAL RISK MANAGEMENT

The Group's approach to the assessment of risk and to the control and monitoring of risk assumed in the course of its activities are documented by the Board. The Board and the Risk Committee of the Board maintain a continuous review of processes through the:

- statement of the Group's risk appetite;
- description of the risk management framework; and
- Internal Capital Adequacy Assessment Process ("ICAAP").

Notes to the Financial Statements for the year ended 31 December 2016

The Board has set risk limits for all aspects of its activities to ensure that the tolerated levels of risk set in the Group's risk appetite are not breached.

The management structure for risk in the Group is integrated at all levels with appropriate oversight and clear responsibility and reporting lines.

The Group conducts its ICAAP in accordance with the Prudential Regulation Authority Rulebook. A key purpose of the review is to ensure that the Board has a clear understanding for the Group of its risks, how the risks are mitigated and how much capital is required.

The ICAAP documents the controls that are appropriate for the levels and types of risk the Group faces. The Group identifies three broad groups of risk arising from the financial instruments in which it trades: market risk, credit risk and liquidity risk.

i) **Market risk**

Market risk is the risk that changes in market prices or underlying instruments' values impact the Group's revenues. The Group's market or position risk arises from the positions taken on by its clients which the Group is taking as a principal but also arises from the Group's structural exposures to interest rates and foreign currency rates. Market risk is managed by:

- The Board's risk appetite, which sets the tolerance for market risk in each of the main asset classes in which the Group transacts and also in relation to elements of its structural risk; detailed risk limits are in place to ensure that the risk appetite is not exceeded;
- Transactional risk management systems which allow monitoring of exposure to all instruments' market risk in real time enabling the Group to hedge as the Boards agreed risk limits are approached;
- The monitoring and hedging of client activity in broad groups or asset classes: FX, Equities, Indices, Commodities and Bonds/Interest rates. A detailed substructure of limits is maintained for each class.

Market price risk

This is the risk that the fair value of the financial instruments will fluctuate due to changes in market prices. The Group's net position in its trading book reflects a significant natural hedge as individual clients frequently take opposing trading positions but when net client positions in contracts reach pre-determined levels, the Group will hedge its exposure in the market. The Group retains a risk in the fluctuations of market prices up to the risk limits in each contract.

The most significant market price risk faced by the Group is on equity positions, including shares and indices which are highly correlated and managed on a portfolio basis.

While the Board has approved maximum absolute risk limits these can be, and often are, reduced by the risk managers to reflect particular market conditions; however, there are no circumstances in which the risk limits can be increased above the maximum set, unless changed by the Board.

Structural interest rate risk (non-trading book)

The Group has interest rate risk in non-trading book financial assets which are not held at FVTPL; these exposures are not hedged by the Group. Such non-trading book assets earn interest at fixed or floating rates and these exposures to the Group are set out in the table below. The balances include segregated client accounts and client money at banks:

Notes to the Financial Statements for the year ended 31 December 2016

Group	2016	2015
	£'000	(restated) £'000
Floating interest rate exposure		
Trade and other receivables - amounts due from brokers	18,442	25,554
Cash and cash equivalents	17,199	45,915
Fixed interest rate exposure		
Financial instruments - non-exchange traded	-	2,323
Total interest rate exposure	35,641	73,792

All assets and liabilities have a repricing maturity of less than one year. Sensitivity analysis has not been presented, as the impact of possible market movements on the Group's revenue is considered to be immaterial.

Structural currency risk

The Group has no material overseas branches or subsidiaries, thus structural currency risk only arises where profits or losses accumulate in foreign currency. The Board has set the risk appetite for such risks as low and the risk limits are consequently small. The Group reduces this risk by actively converting foreign currency profits and losses to Sterling at regular intervals. The directors have considered the financial effect on the Group of an unfeasibly large change in foreign exchange rates and concluded that it would have no material effect on profitability. As such, disclosure of exchange rate sensitivity analysis has not been presented.

ii) Credit risk

Credit risk refers to the risk that a counterparty, including its clients, will default on its contractual obligations resulting in financial loss to the Group. The source of credit risk for the Group comes from either financial institutions or from individual clients, where a sudden move in the market could create mark to market losses in excess of margin held or in some cases, actually force the realisation of losses.

Financial institution credit risk

Financial institution counterparty risk is inherent in the business model as the Group manages its risk exposure by laying-off excess client risk with counterparties. The main conduit for these transactions is the prime broker relationships the Group maintains with a number of financial institutions.

In order to mitigate the risk of a counterparty defaulting on its contractual obligation, the credit ratings of these financial institutions are considered when a new relationship is established and these are reviewed frequently. The Group has defined concentration limits for individual financial institutions to avoid over-reliance on a single counterparty.

The Group is responsible for the stewardship of client monies, in addition to its own money, which gives rise to the requirement to handle and at times hold substantial cash balances which creates credit exposure to the banking sector. As a result, the Group's policy is that all financial institution counterparties holding client money accounts must have a strong minimum credit rating. Counterparties with lower credit ratings are monitored with set concentration limits and are kept below threshold exposure confines to comply with the Group's risk limits. These criteria also apply

Notes to the Financial Statements for the year ended 31 December 2016

for the Group's own bank accounts. The table below presents the Group's exposure to financial institutions based on their credit rating:

Group	2016		2015	
	Cash and cash equivalents £'000	Amounts due from brokers £'000	Cash and cash equivalents £'000	Amounts due from brokers £'000
A+ to A-	13,367	5,809	31,611	7,882
BBB+ to BBB-	3,828	12,633	14,295	17,655
Unrated	4	-	9	17
	<u>17,199</u>	<u>18,442</u>	<u>45,915</u>	<u>25,554</u>

Client credit risk

The Group's risk management framework ensures that it obtains sufficient cash collateral to mitigate the risk of financial loss from defaults by retail or professional clients.

The Group actively seeks to minimise its retail credit risk and will close exposures in timely fashion. Real-time revaluations of all of the Group's client portfolios are undertaken, to determine each client's net exposure to the Group and accounts which have insufficient margin available to maintain the positions open, are either required to provide additional funds or will have their positions reduced, thus overtrading is prevented at the outset.

A provision for impairment of certain receivables is included in administrative expenses in the Group's Income Statement. The directors are of the opinion that none of the financial assets of the Group is past due or impaired further than the provision. The table below shows the movements in the Group's provision for the impairment of trade receivables during the year:

Group	2016 £'000	2015 £'000
Brought forward provision	1,863	1,397
Gross charge for the year	399	563
Trade receivables written off	(1,591)	(97)
Carried forward provision	<u>671</u>	<u>1,863</u>

iii) Liquidity risk

Liquidity risk represents the Company's inability to meet its payments to brokers, clients or suppliers when they become due. Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework. The Company manages liquidity risk by maintaining adequate reserves and by monitoring forecast and actual cash flows.

Liquidity risk is most prevalent for the Group where individual retail clients in aggregate, create substantial positions which the Group's risk appetite and policies require it to hedge. The Firm operates in an arena where daily settlement of liabilities is critical to its continued participation in the market; failure to meet a margin call at one of its prime brokers could lead to the withdrawal of its trading facilities. As a result, the Group ensures that at all times it maintains liquidity resources which are adequate, both in amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

The Group believes that only freely available deposits at banks and financial institutions provide the quality of liquidity to meet this criterion and that holdings of securities would not be of appropriate

Notes to the Financial Statements for the year ended 31 December 2016

quality to be used to mitigate the risks; indeed the Group believes that holding securities would increase the exposure to liquidity risk.

The Group has implemented liquidity risk mitigation tools, including a liquidity buffer, in order to be able to withstand a range of different stress events and is constantly seeking to diversify its funding structure and access to funding sources. In addition, the Group has developed a recovery plan which has identified a significant number of indicators for the risks/threats and a series of corrective actions that deliver a significant amount of liquidity should it be required.

The Group has developed a Contingency Funding Plan as a broad approach to respond to liquidity issues and this plan has been formally reviewed and developed in accordance with FCA Risk Mitigation.

The majority of the business, customer facing and prime brokering, is conducted with daily rolling contracts which crystallise into cash immediately and are net settled. For several of the Group's prime brokers, hedges are settled via swaps, on a net basis, monthly.

As all monies from retail customers have to be segregated, the Company is required to self-fund any margin paid to its prime brokers should it require to hedge an element of its retail positions. The Company monitors those customers who are impacting its liquidity on a daily basis. The following table shows a maturity analysis of the Group's financial assets and financial liabilities:

	2016			Total £'000
	Payable on demand £'000	Less than three months £'000	Between three to six months £'000	
Group				
Financial Assets				
Cash and cash equivalents	17,199	-	-	17,199
Trade Receivables - amounts due from brokers	31,114	-	-	31,114
Trade Receivables - amounts due from clients	345	-	-	345
Other receivables	1,617	-	1,389	3,006
Financial instruments - non-exchange traded	-	984	-	984
Financial instruments - exchange traded	11,456	-	-	11,456
	61,731	984	1,389	64,104
Financial Liabilities				
Trade payables - amounts due to clients	58,368	-	-	58,368
Trade and other payables - other	2,259	-	-	2,259
Amounts due to parent	259	-	-	259
	60,886	-	-	60,886
Net Liquidity	845	984	1,389	3,218

Notes to the Financial Statements for the year ended 31 December 2016

Group	2015 (restated)			Total £'000
	Payable on demand £'000	Less than three months £'000	Between three to six months £'000	
Financial Assets				
Cash and cash equivalents	45,915	-	-	45,915
Trade Receivables - amounts due from brokers	45,156	-	-	45,156
Trade Receivables - amounts due from clients	610	-	-	610
Other receivables	1,709	-	1,831	3,540
Financial instruments - non-exchange traded	-	10,626	-	10,626
Financial instruments - exchange traded	58,448	-	-	58,448
	151,838	10,626	1,831	164,295
Financial Liabilities				
Trade payables - amounts due to clients	156,041	-	-	156,041
Trade and other payables - other	4,950	-	-	4,950
Amounts due to parent	509	-	-	509
	161,500	-	-	161,500
Net Liquidity	(9,662)	10,626	1,831	2,795

The Board considers that this level of liquidity and the control procedures are sufficient to meet its liquidity requirements with sufficient buffer to cope with any reasonable stress event.

5 CAPITAL MANAGEMENT

For regulatory purposes, all of the Company's business in the UK is subject to supervision by the FCA. The Company is also supervised by the Polish, Danish, Slovakian and Czech Republic regulators for the conduct of business aspects of the Group's tied-agents in those countries.

The objective of the Group's capital management is to ensure that it can meet all its regulatory requirements while at the same time seeking to maximise returns to shareholders. The Company has complied with all externally imposed capital requirements throughout the year.

The Group's capital management assessment is set out in the 2017 ICAAP which was approved by the Board in April 2017. The capital requirements assessment is performed in two parts: the assessment of risks to determine the Pillar 1 and Pillar 2A requirements to satisfy the overall financial adequacy rule and the determination of the appropriate Capital Planning Buffer to ensure that the Group can meet the overall financial adequacy rule in the future. This also includes projections to determine future liquidity and capital requirements in a range of stressed scenarios.

Notes to the Financial Statements for the year ended 31 December 2016

6 COUNTRY-BY-COUNTRY REPORTING

The Group is required by the Capital Requirements Regulations 2013 and specifically, Article 89 of the Capital Requirements Directive (CRD IV), to disclose information on the business activities in the countries in which the Group operates.

2016		Total revenue	Profit/(loss) before tax	Corporation tax paid ⁽²⁾	Average number of employees	Public subsidies
Country	Description of activities	£'000	£'000	£'000	No.	£'000
United Kingdom	The provision of online retail trading financial services, primarily through the offering of CFD's and spread bets.	34,266	(2,969)	-	161	-
		34,266	(2,969)	-	161	-

2015		Total revenue	Profit/(loss) before tax	Corporation tax paid ⁽²⁾	Average number of employees	Public subsidies
Country	Description of activities	£'000	£'000	£'000	No.	£'000
United Kingdom	The provision of online retail trading financial services, primarily through the offering of CFD's and spread bets.	40,816	898	32	168	-
Ireland ⁽¹⁾	Ireland is a branch of the UK operation and as such, offers the same services as outlined for the UK above.	464	(19)	16	4	-
Total		41,280	879	48	172	-

⁽¹⁾The Irish branch was closed on 31 December 2015.

⁽²⁾The corporation tax paid does not directly relate to the accounting profits earned in that year.

Pillar III disclosure

Information on the Group's management of regulatory capital is provided in the Pillar III disclosure which is shown on the Group's website www.monecor.com/pillar3.

Notes to the Financial Statements for the year ended 31 December 2016

7 REVENUE

Net trading revenue consists of all revenue generated from financial instruments and is shown net of client rebates but gross of introducing partner commissions. Interest income earned from segregated client funds is recognised within revenue.

Revenue in the Financial Statements is broken down as follows:

	2016	2015
		(restated)
Group	£'000	£'000
CFDs and spread betting		
United Kingdom	17,692	20,730
Rest of Europe	11,748	12,685
Asia	948	4,910
Rest of World	2,577	2,455
Total CFDs and spread betting	32,965	40,780
Binaries	1,158	423
R&D expenditure credit	143	-
Trading revenue	34,266	41,203
Interest income on segregated client funds	65	77
Total revenue	34,331	41,280

8 OPERATING PROFIT

	2016	2015
Group	£'000	£'000

Operating profit is stated after charging:

Commissions and rebates

Upfront affiliate expense	1,140	-
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Administrative expenses

Depreciation of property, plant and equipment	1,363	1,679
Amortisation of intangible assets	1,642	850
Operating lease rentals	244	257
Charge for impairment of trade receivables	399	563
Auditor's remuneration - audit fees	111	118
Auditor's remuneration - non-audit fees	35	35
Auditor's remuneration - regulatory assurance	30	15

Notes to the Financial Statements for the year ended 31 December 2016

9 STAFF COSTS

Staff costs, including directors' remuneration (see note 23), were as follows:

Group	2016 £'000	2015 £'000
Wages and salaries	6,861	7,324
Social security costs	1,041	1,005
Contributions to defined contribution pension schemes	106	105
	<u>8,008</u>	<u>8,434</u>

The average monthly number of employees, including directors, during the year was as follows:

Group	2016 No	2015 No
Independent directors	3	2
Management	5	4
Front Office	12	17
Customer Service	36	47
Technology	45	40
Marketing	18	25
Support	21	18
Finance	10	10
Compliance & Legal	11	9
	<u>161</u>	<u>172</u>

10 SHARE BASED PAYMENTS

The Company issued growth shares in prior periods in which employees of the Company invested. All growth shares issued have since been transferred to Kytos Limited as part of a share reorganisation. Kytos Limited is the ultimate beneficial owner of the Company. In accordance with IFRS 2, the value of the shares granted was determined on grant date applying standard industry valuation matrix. Vesting conditions were not taken into account when measuring the value, but reflect the number of equity instruments included in the measurement of the transaction such that the amount recognised reflects the number of shares that have actually vested.

Notes to the Financial Statements for the year ended 31 December 2016

The vesting period of the majority of the pre-existing shares issued was the four years to 31 December 2014. The remaining portion of the pre-existing shares were vested over two years, completing on 31 December 2012. The growth shares will pay out when there is a liquidity event in excess of certain thresholds.

	Number of growth shares	Estimated value of expense over vesting period £	2016 charge to Income Statement £	2015 charge to Income Statement £
Granted during prior periods	29,222,243	103,307	-	-

There were no shares granted, forfeited or exercised during the year.

11 FINANCE INCOME

Group	2016 £'000	2015 £'000
Interest receivable from banks and brokers	110	67
Other interest receivable	60	57
	<u>170</u>	<u>124</u>

12 FINANCE COSTS

Group	2016 £'000	2015 £'000
Interest payable to banks and brokers	275	84
Interest payable on bank borrowings	-	152
	<u>275</u>	<u>236</u>

Notes to the Financial Statements for the year ended 31 December 2016

13 TAXATION

Group	2016 £'000	2015 £'000
Analysis of tax (credit)/charge in the year		
Current tax		
UK Corporation tax charge on profit for the year	28	-
Adjustments in respect of previous periods	-	(20)
Total Corporation tax (credit)/charge	28	(20)
Deferred tax		
Origination and reversal of timing differences	(489)	(84)
Prior period adjustment	(41)	(58)
Change in tax rate	207	73
Total deferred tax	(323)	(69)
Tax (credit)/charge on profit on ordinary activities	(295)	(89)

Factors affecting tax (credit)/charge for the year

The standard rate of Corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. The UK tax rate will continue to fall to 19% with effect from 1 April 2017 and 17% from 1 April 2020. These changes have been substantially enacted at the Statement of Financial Position date.

The tax assessed for the year is lower than (2015: lower than) the standard rate of UK corporation tax in the UK 20 % (2015: 20.25%). The differences are explained below:

Group	2016 £'000	2015 £'000
(Loss)/Profit on ordinary activities before tax	(2,969)	879
Tax at 20% (2015: 20.25%) thereon	(594)	178
Effects of:		
Expenses not deductible for tax purposes	253	191
R&D expenditure credit adjustment	(105)	-
Research and development tax relief	-	(449)
Difference in tax rates	207	73
Other timing differences	-	(4)
Prior year adjustment	(41)	(78)
Change in unrecognised deferred tax assets	(16)	-
Total tax (credit)/charge for the year	(295)	(89)

Notes to the Financial Statements for the year ended 31 December 2016

14 PROPERTY, PLANT AND EQUIPMENT

Group	Furniture, fixtures and equipment £'000	Software £'000	Total £'000
Cost			
At 1 January 2015	8,989	2,281	11,270
Additions	373	735	1,108
Disposals	-	-	-
At 31 December 2015	9,362	3,016	12,378
Additions	155	238	393
Disposals	-	-	-
At 31 December 2016	9,517	3,254	12,771
Depreciation			
At 1 January 2015	6,722	1,528	8,250
Charge for the year	1,158	521	1,679
Disposals	-	-	-
At 31 December 2015	7,880	2,049	9,929
Charge for the year	789	574	1,363
Disposals	-	-	-
At 31 December 2016	8,669	2,623	11,292
Net book value			
At 31 December 2016	848	631	1,479
At 31 December 2015	1,482	967	2,449
At 1 January 2015	2,267	753	3,020

Notes to the Financial Statements for the year ended 31 December 2016

15 INTANGIBLE FIXED ASSETS

Group	Goodwill £'000	Software development £'000	Client lists £'000	Total £'000
Cost				
At 1 January 2015	2,455	1,002	-	3,457
Additions	-	1,203	1,280	2,483
At 31 December 2015	2,455	2,205	1,280	5,940
Additions	-	1,655	27	1,682
At 31 December 2016	2,455	3,860	1,307	7,622
Amortisation				
At 1 January 2015	-	275	-	275
Charge for the year	-	477	373	850
At 31 December 2015	-	752	373	1,125
Charge for the year	-	895	747	1,642
At 31 December 2015	-	1,647	1,120	2,767
Net book value				
At 31 December 2016	2,455	2,213	187	4,855
At 31 December 2015	2,455	1,453	907	4,815
At 1 January 2015	2,455	727	-	3,182

The additions included in software development relate mainly to internal, on-going development projects to enhance the Group's own proprietary software as well as its other existing software platforms.

Impairment of goodwill and intangibles

There was no indication, from tests carried out, that the carrying value of goodwill or other intangibles had been impaired below their recoverable value during the year ended 31 December 2016. Therefore no impairment has been recognised in these financial statements.

Notes to the Financial Statements for the year ended 31 December 2016

16 INVESTMENT IN SUBSIDIARIES

PARENT COMPANY – INVESTMENT IN SUBSIDIARIES

Company	2016 £'000	2015 £'000
At the beginning of the year	4,152	4,152
At the end of the year	4,152	4,152

The following companies are owned directly or indirectly by Monecor (London) Limited:

Name of Company	Country of Incorporation	Holding	Share holding	Nature of business
Ariel Systems Group Limited	United Kingdom	Ordinary shares	100%	Non-trading
Ariel Communications Limited	United Kingdom	Ordinary shares	100%	Software development
TheAppStudio.com Ltd	United Kingdom	Ordinary shares	100%	Non-trading

The registered address of Ariel Systems Group Limited is One Broadgate, London, EC2M 2QS.

The registered address of both Ariel Communications Limited and TheAppStudio.com Ltd is 29-32 Mark Road, Hemel Hempstead, HP2 7BW.

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Amounts due from brokers	31,114	45,156	31,114	45,156
Amounts due from clients	345	610	345	610
Other receivables	3,006	3,540	2,992	3,535
	34,465	49,306	34,451	49,301

'Amounts due from brokers' is a combination of the total collateral held on account and the valuation of financial derivatives with open positions.

'Amounts due from clients' is the total of trading losses incurred by clients where there has been insufficient funds deposited into their accounts to cover the deficit. The balance is stated net of any bad debt provisions.

Within 'amounts due from clients', £13,945 was aged less than 30 days, £18,351 between 30 to 60 days and £313,344 over 60 days. There is no balance included within amounts due from brokers which is past due.

Included within 'other receivables', is a loan balance of £1,389,041 (2015: £1,830,718) due from the Company's parent, Kytos Limited.

Notes to the Financial Statements for the year ended 31 December 2016

18 FINANCIAL INSTRUMENTS

Classification

The following table shows a breakdown of the Group's financial assets and liabilities which have been classified in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The Group considers the carrying amount of financial assets and liabilities not held at fair value as a reasonable approximation of their fair value.

Included within 'trade receivables - amounts due from brokers' is the combination of cash held on account with brokers (disclosed within loans and receivables) and the value of derivative open positions as at the year end (disclosed as FVTPL – held for trading). As the Group has the legal right and the intention to settle on a net basis, these transactions are reported net in the Group's Statement of Financial Position.

Included within 'amounts due to clients' is cash that clients hold on account, combined with the value of all derivative open positions that clients hold at year end. As the Group has the legal right and the intention to settle on a net basis, the profit and loss incurred by clients is netted off against the balances held by clients. As a result the amounts due to clients are reported net in the Group's Statement of Financial Position.

2016		FVTPL - Held for trading £'000	Loans and receivables £'000	Other amortised cost £'000	Total £'000
Group					
	Notes				
FINANCIAL ASSETS					
Cash and cash equivalents	20	-	17,199	-	17,199
Trade and other receivables					
Trade receivables - amounts due from brokers	17	12,672	18,442	-	31,114
Trade receivables - amounts due from clients	17	-	-	345	345
Other receivables	17	-	3,006	-	3,006
		12,672	21,448	345	34,465
Financial instruments - non-exchange traded		984	-	-	984
Financial instruments - exchange traded		11,456	-	-	11,456
		12,440	-	-	12,440
		25,112	38,647	345	64,104
FINANCIAL LIABILITIES					
Amounts due to clients		12,483	45,885	-	58,368
Trade and other payables					
Trade and other payables - other		-	-	2,518	2,518
		-	-	2,518	2,518
	21	12,483	45,885	2,518	60,886

Notes to the Financial Statements for the year ended 31 December 2016

2015 (restated)		FVTPL - Held for trading £'000	Loans and receivables £'000	Other amortised cost £'000	Total £'000
Group					

Notes

FINANCIAL ASSETS

Cash and cash equivalents	20	-	45,915	-	45,915
Trade and other receivables					
Trade receivables - amounts due from brokers	17	19,602	25,554	-	45,156
Trade receivables - amounts due from clients	17	-	-	610	610
Other receivables	17	-	3,540	-	3,540
		19,602	29,094	610	49,306
Financial instruments - non-exchange traded		8,303	2,323	-	10,626
Financial instruments - exchange traded		58,448	-	-	58,448
		66,751	2,323	-	69,074
		86,353	77,332	610	164,295

FINANCIAL LIABILITIES

Amounts due to/(from) clients		(2,920)	158,961	-	156,041
Trade and other payables					
Trade and other payables - other		-	-	4,950	4,950
		-	-	4,950	4,950
	21	(2,920)	158,961	4,950	160,991

Notes to the Financial Statements for the year ended 31 December 2016

Fair value estimation

Level 1 prices are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 prices are defined as inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).

Level 3 prices are defined as inputs for the asset or liability that are not based on observable market data.

The following table shows the price level split of assets defined as FVTPL:

Group and Company	2016			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets valued at Fair Value Through Profit and Loss				
Trade receivables - amounts due from brokers	12,672	-	-	12,672
Financial instruments - non-exchange traded	-	-	984	984
Financial instruments - exchange traded	11,456	-	-	11,456
	24,128	-	984	25,112
Liabilities valued at Fair Value Through Profit and Loss				
Amounts due to clients	11,499	-	984	12,483
	11,499	-	984	12,483

Group and Company	2015			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets valued at Fair Value Through Profit and Loss				
Trade receivables - amounts due from brokers	19,602	-	-	19,602
Financial instruments - non-exchange traded	-	-	8,303	8,303
Financial instruments - exchange traded	58,448	-	-	58,448
	78,050	-	8,303	86,353
Liabilities valued at Fair Value Through Profit and Loss				
Amounts due to clients	(11,223)	-	8,303	(2,920)
	(11,223)	-	8,303	(2,920)

Notes to the Financial Statements for the year ended 31 December 2016

Maturity

All amounts shown as trade and other payables on the Statement of Financial Position and detailed in the trade and other payables note (note 21), have remaining contractual maturities of less than one year (2015: less than one year). The trade and other payables balances are based on the undiscounted cash flows of financial liabilities based upon the earliest date on which the Group can be required to pay.

Liquidity risk management has a short-term outlook as all of the financial liabilities have contractual maturities of less than one year.

Derivative financial instruments are settled within one year of the statement of financial position date on a gross basis and included in 'trade and other receivables' and 'trade and other payables'.

Financial assets and liabilities subject to offsetting

The Group has netting agreements with certain counterparties and where applicable, financial assets and liabilities are shown net on the Group's Statement of Financial Position. The following table shows the effect of the right, and intention, to offset on the Group's financial assets and liabilities:

2016		Gross amounts pre-offset £'000	Amounts set off on the Statement of Financial Position £'000	Net amounts stated on the Statement of Financial Position £'000
Group				

Notes

FINANCIAL ASSETS

Trade receivables - amounts due from brokers

Loans and receivables	18	18,442	-	18,442
Fair Value Through Profit and Loss (FVTPL)	18	67,103	(54,431)	12,672
		85,545	(54,431)	31,114

Trade receivables - amounts due from clients	18	1,016	(671)	345
		86,561	(55,102)	31,459

FINANCIAL LIABILITIES

Amounts due to clients	21	59,039	(671)	58,368
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Trade and other payables

Trade and other payables - amounts due to brokers		54,431	(54,431)	-
		113,470	(55,102)	58,368

Notes to the Financial Statements for the year ended 31 December 2016

2015 (restated)		Gross amounts pre-offset £'000	Amounts set off on the Statement of Financial Position £'000	Net amounts stated on the Statement of Financial Position £'000
Group	Notes			
FINANCIAL ASSETS				
Trade receivables - amounts due from brokers				
Loans and receivables	18	34,774	(9,220)	25,554
Fair Value Through Profit and Loss (FVTPL)	18	82,388	(62,786)	19,602
		117,162	(72,006)	45,156
Trade receivables - amounts due from clients	18	2,473	(1,863)	610
		<u>119,635</u>	<u>(73,869)</u>	<u>45,766</u>
FINANCIAL LIABILITIES				
Amounts due to clients	21	157,904	(1,863)	156,041
Trade and other payables				
Trade and other payables - amounts due to brokers		72,006	(72,006)	-
		<u>229,910</u>	<u>(73,869)</u>	<u>156,041</u>

19 DEFERRED TAX ASSET

The deferred tax asset is made up as follows:

Group	2016 £'000	2015 £'000
As at 1 January	(1,324)	(1,255)
Charge/(Credit) to Income Statement	(323)	(69)
As at 31 December	<u>(1,647)</u>	<u>(1,324)</u>

Group	2016 £'000	2015 £'000
Accelerated capital allowances	(158)	104
Tax losses	(1,541)	(1,424)
Other short term timing differences	52	(4)
	<u>(1,647)</u>	<u>(1,324)</u>

Notes to the Financial Statements for the year ended 31 December 2016

20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015 (restated)	2016	2015 (restated)
Group	£'000	£'000	£'000	£'000
Gross cash and cash equivalents	58,873	86,318	58,813	86,318
Less: Segregated client funds	(41,674)	(40,403)	(41,674)	(40,403)
Cash and cash equivalents	<u>17,199</u>	<u>45,915</u>	<u>17,139</u>	<u>45,915</u>

Gross cash and cash equivalents includes the Group's own cash and segregated client funds. Segregated client funds comprise individual client funds that the Group holds in segregated accounts in accordance with the client asset rules of the FCA. This money is not included on the Statement of Financial Position. At the year end, one of the Group's brokers held a charge over £12 million (2015: £12 million) of the cash balance.

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015 (restated)	2016	2015 (restated)
	£'000	£'000	£'000	£'000
Amounts due to clients	58,368	156,041	58,368	156,041
Amounts due to parent	259	509	1,003	1,340
Other creditors	726	1,118	726	1,091
Accruals	1,533	3,323	1,533	3,346
	<u>60,886</u>	<u>160,991</u>	<u>61,630</u>	<u>161,818</u>

At the year end the Company had a balance due to a subsidiary, Ariel Communications Limited, totalling £743,985 (2015: £830,962) and a balance due to its parent Company, Kytos Limited, totalling £258,899 (2015: £508,899).

22 ORDINARY SHARE CAPITAL

	2016	2015
Company and Group	£'000	£'000
Allotted, called up and fully paid		
15,420,522 €1 ordinary shares of €1 each	9,911	9,911
101,980,000 (2015: 100,000,000) "A" ordinary shares of £0.041 each	4,182	4,100
29,222,243 growth shares of £0.00001 each	-	-
	<u>14,093</u>	<u>14,011</u>

During the year, the Company issued 1,980,000 new "A" class ordinary shares of £0.041 each, with a premium of £0.959 per share. As a result, share capital increased in the year by £81,180 and share premium increased by £1,898,820.

Notes to the Financial Statements for the year ended 31 December 2016

23 OPERATING LEASE COMMITMENTS

As at 31 December 2016, the Group had annual commitments under non-cancellable operating leases as follows:

	2016	2015
Group and Company	£'000	£'000
Expiry date:		
Within one year	-	-
Between 2 and 5 years	326	334
	<u>326</u>	<u>334</u>

24 CONTINGENT LIABILITIES

It is considered likely that an introducing broker will instigate proceedings against the Group for alleged underpayment of commission. The total amount expected has been estimated at a maximum of £300,000 and this is likely to be claimed from the Group.

The Group considers the claim to have no merit and will contest any claim made. No provision has been made in these financial statements as the Group's management do not consider there is any probable loss.

25 RELATED PARTY TRANSACTIONS

Transactions with Parent Company

The Company entered into the following transactions with its Parent Company, Kytos Limited, during the year:

	2016	2015
Company	£'000	£'000
Cost of foreign currency and index hedging activities	(250)	(146)

Balances with Parent Company

The Company has the following amounts outstanding with Kytos Limited at the year end:

	2016	2015
Company	£'000	£'000
Amounts due from parent	1,389	1,831
Amounts due to parent	(259)	(509)

As at 31 December 2016, the Company was owed £1,389,041 (2015: £1,830,718) in the form of a loan to Kytos Limited. During the year the Company received loan repayments of £500,000 from Kytos Limited. Interest of 3.5% per annum is charged on the outstanding loan.

As at 31 December 2016, the Company owed £258,899 (2015: £508,899) in respect of settlement for hedging activities undertaken in the year and margin posted.

Notes to the Financial Statements for the year ended 31 December 2016

Transactions and balances with the entities with joint control of the Company

During the year, the Company paid management fees of £604,800 (2015: £793,004) to JRJ Ventures LLP. Monecor (London) Limited and JRJ Ventures LLP are subject to common control.

At the year end, a balance was outstanding with JRJ Ventures LLP of £151,200 (2015: £nil).

Transactions and balances with subsidiaries

During the year the Company incurred costs of £1,148,564 (2015: £1,059,110) on behalf of, and received services totalling £1,736,280 (2015: £1,654,600) from Ariel Communications Limited, a subsidiary company. The Company also received £193,307 in payments from the subsidiary and paid £268,000. A dividend was also received by the Company from Ariel Systems Group Limited for £600,000 (2015: £600,000).

As a result at the Statement of Financial Position date, included within the Company's trade and other payables, is a balance owed to Ariel Communications Limited for £743,985 (2015: £831,962).

Amounts due to Group undertakings are unsecured and repayable on demand.

All related party transactions are carried out at an arm's length basis, based upon normal market conditions.

Transactions with Key Management Personnel

i) Director and Key Management Personnel compensation

Compensation of the Group's Key Management Personnel includes salaries, non-cash benefits and contributions to a post-employment defined contribution plan. Key Management Personnel comprise directors (Executive and Non-Executive) together with Senior Executive Officers of the Company and its parent Company.

Company	Directors		Directors and other Key Management Personnel	
	2016	2015	2016	2015
	£	£	£	£
Short-term employee benefits	1,177,331	856,353	1,348,579	1,039,242
Post-employment benefits	1,695	1,013	2,065	1,347
Other long-term benefits	-	-	-	-
Termination benefits	-	53,400	-	53,400
Share-based payments	-	-	-	-
	1,179,026	910,766	1,350,644	1,093,989
Remuneration of highest paid director				
Wages, salaries, bonuses, incentive payments and benefits	383,421	409,892	383,421	409,892

Included in wages, salaries, bonuses and incentive payments is £7,333 (2015: £70,000) paid in respect of non-executive director fees.

In the case of Executive Directors and Senior Executive Officers, remuneration consists of: salary, bonuses (payable within 12 months of the year end), social security contributions, medical insurance, gym memberships and other benefits-in-kind, and in the case of Non-Executive Directors: salary or directors' fees. No director exercised share options or received shares in respect of qualifying services under a long term incentive scheme in the year.

Post-employment benefits consists of payments to defined contribution pension schemes to provide post-retirement pensions from normal retirement date in respect of two Executive Directors (2015: two).

Notes to the Financial Statements for the year ended 31 December 2016

Termination benefits in 2015 comprised of a lump sum payment made to an Executive Director.

During the year, Kytos Limited issued 8,941,513 growth shares to three directors, 6,056,000 of these shares have a vesting period of 3 years to 31 December 2018 and the remaining 2,885,513 vest by 31 December 2019. The growth shares will pay out when there is a liquidity event in excess of certain thresholds.

ii) Director and Key Management Personnel balances

The following balances were due (from)/to directors and key personnel at the year end:

Company	Loan Balance £	Trading Account Balance £	Total Balance £
A Bud	-	-	-
A Edwards	(27,002)	1,201	(25,801)
C Hafner	-	-	-
R Houldsworth	-	2,405	2,405
J Isaacs	-	707,414	707,414
E Marlow	-	-	-
J Nader	-	-	-
R Nagioff	-	-	-
M Preston	-	-	-
P Sugarman	-	459,707	459,707
A Tahmassebi	-	392	392
P Wallis	(7,595)	496	(7,099)
J Wilson	(28,578)	20,164	(8,414)
A Woolley	-	19,328	19,328

Some directors and Key Management Personnel had trading accounts with the Company during the year. The balances above represent the year end the liquidation values on trading accounts held by Company directors and Key Management Personnel. These were subject to the same terms and conditions as other clients of the Company.

26 CONTROLLING PARTY

The Group's ultimate controlling entity is Kytos Limited, a company incorporated in Jersey. The registered address of Kytos Limited is 44 Esplanade, St Helier, Jersey, JE4 9WG.

Notes to the Financial Statements for the year ended 31 December 2016

27 RESTATEMENTS

The 2015 financial instruments disclosures have been restated to more accurately reflect the netting arrangements held with each of the Group's brokers; the impact of this restatement is disclosed below. The impact of the change in accounting policy (the derecognition of client money from the Statement of Financial Position) is also disclosed:

	Previously reported		Adjustments		Restated	
	Group £'000	Company £'000	Group £'000	Company £'000	Group £'000	Company £'000
1 January 2015 (restated)						
NON-CURRENT ASSETS	7,457	8,732	-	-	7,457	8,732
CURRENT ASSETS						
Cash and cash equivalents						
Derecognition of segregated money:	53,703	53,668	(38,089)	(38,089)	15,614	15,579
Trade and other receivables						
Restatement of financial instruments:	76,199	76,199	(44,173)	(44,173)	32,026	32,026
Total current assets	162,691	161,014	(82,262)	(82,262)	80,429	78,752
CURRENT LIABILITIES						
Trade and other payables						
Derecognition of segregated money:			(38,089)	(38,089)		
Restatement of financial instruments:			(44,173)	(44,173)		
	159,152	158,334	(82,262)	(82,262)	76,890	76,072
Total current liabilities	159,201	158,383	(82,262)	(82,262)	76,939	76,121
NET ASSETS	10,947	11,363	-	-	10,947	11,363
31 December 2015 (restated)						
NON-CURRENT ASSETS	8,588	10,122	-	-	8,588	10,122
CURRENT ASSETS						
Cash and cash equivalents						
Derecognition of segregated money:	86,318	86,318	(40,403)	(40,403)	45,915	45,915
Trade and other receivables						
Restatement of financial instruments:	112,092	112,087	(62,786)	(62,786)	49,306	49,301
Total current assets	267,484	267,479	(103,189)	(103,189)	164,295	164,290
CURRENT LIABILITIES						
Trade and other payables						
Derecognition of segregated money:			(40,403)	(40,403)		
Restatement of financial instruments:			(62,786)	(62,786)		
	264,180	265,007	(103,189)	(103,189)	160,991	161,818
Total current liabilities	264,157	264,984	(103,189)	(103,189)	160,968	161,795
NET ASSETS	11,915	12,617	-	-	11,915	12,617

28 SUBSEQUENT EVENTS

On 6 March 2017, there was an issuance of 1,000,000 "A" ordinary shares of £0.041 each at a total nominal value of £41,000 and at a premium of £0.959 per share totalling £959,000.

There have been no other reportable events between 31 December 2016 and the signing date of the Statement of Financial Position.