

Registered in England No. 1915961

Instinet»

A Nomura Company

INSTINET EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2020

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Instinet Europe Limited

Strategic report for the year ended 31 March 2020

The directors present their strategic report for Instinet Europe Limited ("The Company") for the year ended 31 March 2020.

The principal activity of the Company is noted in the Directors' Report.

Review of the Business

The Company's key performance indicators during the year were:

	31 Mar 2020	31 Mar 2019	% Change
Average Daily Consideration in billions (USD)	4.85	5.24	(7.4%)
Market Share - European Markets	4.92%	5.02%	(2.0%)
Pricing in bps	0.92	0.85	8.2%

During the second half of calendar year 2019, European equity markets experienced a period of low volumes in comparison to recent years. However this period of low volumes came to an end at the start of 2020 with the outbreak of the Covid-19 pandemic and resultant volatility. This meant that whilst the average market volumes for the year to 31 March 2020 were 5.5% lower than in the year to 31 March 2019, market volumes at the end of the financial year were at a much higher level than they had started. The gross profit of the Company was 4.4% higher than 2019 as a result of higher pricing driven by shift in business mix year on year. The directors are of the opinion that the Company's position as a leading agency execution broker means it is well positioned to capitalise on the recently experienced volatility.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to be market risks, competition from other brokers and system risks. As the Covid-19 pandemic took hold towards the end of our reporting period, this saw significant impacts on market volatility globally for equity markets. The impact of this was a significant uptick in the client activity through to the year end and therefore a significant increase in revenues for the Company. It should be noted that significant spikes in activity also leads to higher risk exposures, however these risks are continually assessed by the directors to ensure that their impact is managed appropriately.

By Order of the Board



R Parsons
Director
1 Angel Lane
London
EC4R 3AB

Date: 20 July 2020

Instinet Europe Limited

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2020.

Principal activities

The principal activity of the Company is that of a matched principal broker. The Company is registered as a limited corporate member of The London Stock Exchange, and is authorised by the United Kingdom Financial Conduct Authority. During the year the company's German subsidiary activated its authorisation with the German regulator BaFin.

Results and dividend

The loss for the period set against reserves amounted to £(108,000) (2019: loss of £(187,000)).

The directors do not recommend the payment of any dividend (2019: Nil).

Foreign branches

The Company also operates branches in France and Germany. The Switzerland branch has ceased trading as at 31 July 2019 and will be removed from the Switzerland commercial register once the final tax assessment has been completed.

Financial risk management

The Company's trading activities expose it to a variety of financial risks. These are discussed in note 24.

Pillar III Disclosures

In order to comply with FCA regulations, the Company has prepared the Pillar 3 disclosure document in line with the CRD IV directive. A copy of this document can be found on <https://www.instinet.com/legal-and-regulatory.php>.

Future outlook and going concern

The United Kingdom's membership of the European Union ended on 31 January 2020 ("Brexit") in accordance with the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the "Withdrawal Agreement"). The Withdrawal Agreement provides for a transition period until 31 December 2020 during which EU rules and regulations continue to apply to the UK. Whilst the future agreement between the UK and EU are currently under negotiation, its final form and substance remain uncertain at this time.

The Company conducts a substantial level of business throughout Europe with London as its regional hub. The Company has access to the entire European Economic Area ("EEA") through providing cross-border services under the relevant EU single market legislation known as "passporting rights". If the transition period ends without any agreement between the UK and EU in respect to continuation of access for financial services, including passporting rights, the Company may lose access to the EEA, adversely affecting the Company's revenue and profitability from business in the European region.

In order to address such potential impact on the Company's business and to provide continued services to clients both regionally and globally, a new entity, Instinet Germany GmbH in the Federal Republic of Germany was established and a license to operate as an Investment Firm obtained from BaFin. As a licensed entity in Germany, Instinet Germany GmbH has secured passporting rights to enable it to provide investment services to clients domiciled in all other EEA countries, should the entity be activated in full. Overall, Brexit poses a high level of potentially prolonged uncertainties both politically and economically, mainly in the UK and the EU.

The Company is expected to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Instinet International Limited group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. Further, the Company has a Credit Facility Agreement with its Parent, which at the height of the market volatility during the Covid-19 pandemic, was able to be extended as required. Therefore, the Directors have a reasonable expectation that the Company has adequate capital and financial support to continue on a going concern basis.

As noted above, the Company, like most other organisations in the financial services sector, has been impacted by Covid-19 which was declared as a pandemic by the World Health Organisation on 11 March 2020. Subsequently, the Company activated its pandemic plan, in coordination with the wider Nomura group, which operated under the oversight of the NEHS Executive Committee. Instinet Europe Limited's response was coordinated through the IEL Operating Committee and approved by the Material Business Change Committee. To date, the Company's contingency and business continuity arrangements are operating as planned and the Company continues to operate on a business as usual basis with employees working from home.

Instinet Europe Limited

Future outlook and going concern (continuation)

The Company has been preparing phased returns to the offices in compliance with local government mandates. It is considered that the Company will continue with these arrangements for as long as is required with no detrimental impacts on the operations of the business and look to establish long-term flexible arrangements in future. The Company's pandemic plan has also focused on ensuring the safety of its employees and their families, and any return to offices will take full account of this.

Directors

The list of directors shown below also includes the directors who have resigned and been appointed post financial year ended 31 March 2020:

- J Lewis (Resigned 16th October 2019)
- J Soames
- R Parsons
- P Spanswick (Appointed 16th October 2019)
- T Aoki (Appointed 11th September 2019)
- A Bowley (Appointed 9th December 2019)
- R Roberts Jnr (Appointed 24th July 2019)

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Ernst & Young LLP, Registered Auditor, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting in accordance with the provisions of Section 485 of the Companies Act 2006.

By Order of the Board



R Parsons
Director
1 Angel Lane
London
EC4R 3AB

Date: 20 July 2020

Statement of directors' responsibilities

The Directors are responsible for preparing the Report and Financial Statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 IFRS. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss for that year.

In preparing these financial statements, the directors are required to:

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments that are reasonable;
- provide additional disclosures when compliance with the specific requirements of IFRS is sufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Instinet Europe Limited

Independent auditors' report to the members of Instinet Europe Limited

We have audited the financial statements of Instinet Europe Limited for the year ended 31 March 2020 which comprise the Statement of Profit and Loss, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 25 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Independent auditors' report to the members of Instinet Europe Limited (continue)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Nicholas Dawes (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date:

20 July 2020

Instinet Europe Limited**Statement of Profit and Loss**

		Year ended 31 Mar 2020	Year ended 31 Mar 2019
		£'000	£'000
	Notes		
Europe		96,439	88,082
Asia		3,090	2,210
North America		27,531	27,949
Total Turnover	10	127,060	118,241
Cost of sales		(60,248)	(54,266)
Gross Profit		66,812	63,975
Administrative expenses		(63,723)	(60,183)
Interest and similar income	9	2,842	1,284
Interest and similar expense	9	(6,007)	(5,116)
Investment income	16	76	40
Profit/(Loss) before tax from continuing operations	8	-	-
Income tax expense	10	(108)	(187)
Loss from continuing operations		(108)	(187)

The results above relate wholly to continuing operations.

The notes on pages 12 to 38 form part of these financial statements

Instinet Europe Limited

Statement of Other Comprehensive Income

		Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
	Notes		
Loss for the year		(108)	(187)
Other comprehensive income			
Exchange differences on translation of foreign operations		2,770	(2,704)
Net gain on equity instruments designated at fair value through other comprehensive income	25	417	561
Deferred tax (expense) / credit related to items included in other comprehensive income	10	(126)	(90)
Total other comprehensive income / (expense) net of tax		3,061	(2,233)
Total comprehensive income / (expense) net of tax		2,953	(2,420)
Attributable to owners of parent		2,953	(2,420)

The results above relate wholly to continuing operations.

The notes on pages 12 to 38 form part of these financial statements

Instinet Europe Limited

Statement of Financial Position

		At 31 Mar 2020 £'000	At 31 Mar 2019 £'000
	Notes		
Assets			
Non-current assets			
Property and equipment and right-of-use assets	13	966	42
Investment in subsidiary	11	6,018	6,018
		6,984	6,060
Current assets			
Trade and other receivables	14	1,308,532	722,371
Prepayments and accrued income	15	14,042	6,262
Other current financial assets	16	2,217	1,739
Cash and short-term deposits	17	54,042	60,771
		1,378,833	791,143
Total assets		1,385,817	797,203
Equity and liabilities			
Equity			
Issued capital	21	96,547	96,547
Share premium		810	810
Retained earnings		(2,516)	(2,408)
Foreign currency translation reserve	21	43	(2,727)
Revaluation reserve	21	1,483	1,192
Equity attributable to owners of the parent		96,367	93,414
Total equity		96,367	93,414
Non-current liabilities			
Deferred tax liabilities	10	304	222
Other Payables	19	811	-
		1,115	222
Current liabilities			
Interest bearing loans and borrowings	18	723,894	286,957
Trade and other payables	19	553,418	411,339
Provisions	20	11	11
Taxes payable		108	115
Taxes and social security		10,904	5,145
		1,288,335	703,567
Total liabilities		1,289,450	703,789
Total equity and liabilities		1,385,817	797,203

The notes on pages 12 to 38 form part of these financial statements. A duly authorised Committee of the Board of Directors of the Company with registered number 1915961 approved these financial statements on 20 July 2020.



R Parsons - Director

Instinet Europe Limited

Statement of changes in equity

For the year ended 31 March 2020

	Issued capital (note 21) £'000	Share premium £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Asset revaluation reserve £'000	Share-based Payment reserve £'000	Total equity £'000
As at 1 April 2019	96,547	810	(2,408)	(2,727)	1,192	-	93,414
Loss for the year	-	-	(108)	-	-	-	(108)
Total comprehensive income attributable to the owners of the parent	96,547	810	(2,516)	(2,727)	1,192	-	93,306
Translation adjustment	-	-	-	2,770	-	-	2,770
Asset revaluation (see note 25)	-	-	-	-	417	-	417
Deferred tax on other comprehensive income	-	-	-	-	(126)	-	(126)
Effect of capital contribution relating to IFRS 2 share-based payments (see note 22)	-	-	-	-	-	262	262
Distribution of reserves: share based payments recharged to parent company	-	-	-	-	-	(262)	(262)
As at 31 March 2020	96,547	810	(2,516)	43	1,483	-	96,367
For the year ended 31 March 2019 (Restated)							
As at 1 April 2018	96,547	810	(2,221)	(23)	721	-	95,834
Loss for the year	-	-	(187)	-	-	-	(187)
Total comprehensive income attributable to the owners of the parent	96,547	810	(2,408)	(23)	721	-	95,647
Translation adjustment	-	-	-	(2,704)	-	-	(2,704)
Asset revaluation (see note 25)	-	-	-	-	561	-	561
Deferred tax on other comprehensive income	-	-	-	-	(90)	-	(90)
Effect of capital contribution relating to IFRS 2 share-based payments (see note 22)	-	-	-	-	-	334	334
Distribution of reserves: share based payments recharged to parent company	-	-	-	-	-	(334)	(334)
As at 31 March 2019	96,547	810	(2,408)	(2,727)	1,192	-	93,414

Instinet Europe Limited

Statement of cash flows for the year ended 31 March 2020

		Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
	Notes		
Operating activities			
Profit /(loss) before tax from continuing operations		-	-
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property and equipment	13	141	3
Increase in available for sale assets		(186)	(57)
Share-based payment transaction expense	7	266	366
Movement in provisions		263	241
Finance income and expense (net)		3,493	3,220
Working capital adjustments:			
Increase in trade and other receivables and prepayments		(593,183)	(35,367)
Increase in trade and other payables		584,714	13,803
		(4,492)	(17,791)
Income tax (paid)/received		-	-
Net cash flows from operating activities		(4,492)	(17,791)
Investing activities			
Purchase of property and equipment		-	(42)
Investment in subsidiary		-	(6,018)
Interest received		-	-
Investment income		76	40
Net cash flows from investing activities		76	(6,020)
Financing activities			
Interest paid		(1,591)	(1,339)
Repayment of principal portion of lease liabilities		(125)	-
Net cash flows used in financing activities		(1,716)	(1,339)
Net (decrease)/ increase in cash and cash equivalents		(6,132)	(25,150)
Net foreign exchange difference		2,770	(2,704)
Cash and cash equivalents at beginning of year		42,106	69,960
Cash and cash equivalents at end of year	17	38,744	42,106

The notes on pages 12 to 38 form part of these financial statements.

Instinet Europe Limited

Notes to the financial statements at 31 March 2020

1. Corporate information

The Company is a matched principal broker. The Company, incorporated and domiciled in the United Kingdom, is a limited liability company with its registered office at 1 Angel Lane, London EC4R 3AB.

The Company is a wholly owned subsidiary of Instinet International Limited and its ultimate parent undertaking is Nomura Holdings Incorporated, a company incorporated in Japan and the largest group in which the Company's results are consolidated. Copies of the financial statements can be obtained from 1 Angel Lane, London EC4R 3AB.

The Company's financial statements for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on 20 July 2020.

2. Basis of preparation

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

The Company's financial statements have been prepared on a historical cost basis, except for the investment in Euroclear shares which have been classified as equity instruments at fair value through other comprehensive income (FVOCI) under IFRS 9. The Company's financial statements are presented in British Pound Sterling (GBP) which is its functional and presentational currency, and all values are rounded to the nearest thousand GBP (£'000) except where otherwise stated.

These financial statements are prepared based on the Company's financial and liquidity position that there is reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further, the Company has a Credit Facility Agreement with its Parent, which at the height of the market volatility during the Covid-19 pandemic, was able to be extended as required.

Actions taken by global governments in response to the spread of Covid-19 have resulted in severe disruption to the way businesses operate and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies. The Company has a well-developed business continuity plan which includes pandemic response, enabling the Group to quickly adapt to these unprecedented circumstances and continue as a viable business. As such whilst there remains significant uncertainty regarding the developments of the pandemic and the future economic activity, it does not impact the company's ability to continue as a going concern and the financial statements are therefore prepared on this basis. Please refer to note 24 for financial risk management and policies. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

3. Accounting Policies

3.1 Cash and short term deposits

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.2 Investments in equity instruments

Under IFRS 9, the investment in shares of Euroclear Plc is irrevocably classified as equity investments at FVOCI, with all subsequent changes in fair value to be recognised in other comprehensive income (OCI). Under this FVOCI category, fair value changes are recognised in OCI while dividends are recognised in profit or loss as other operating income when the right of payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

3.3 Settlement date accounting

The Company has elected to use the settlement date accounting policy for recognising and derecognising trade financial assets. It is the opinion of Directors that settlement date accounting provides a more accurate reflection of the Company's financial position and leverage.

Notes to the financial statements at 31 March 2020 (continued)**3. Accounting policies (continued)****3.4 New and amended standards and interpretations**

In these financial statements, the Company has applied, for the first time, IFRS 16 Leases, effective for annual periods beginning on or after 1 January 2019. The Company applied IFRS 16 using the modified retrospective approach and therefore prior comparatives were not restated.

i. IFRS 16-Leases

IFRS 16 supersedes IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (lease term of 12 months or less) and leases of low-value items. Lessor accounting remains similar to the current standard – ie. Lessors continue to classify leases as finance or operating leases.

The Company has adopted IFRS 16 under the modified retrospective approach. There are two options available under this approach as shown below:

- Set the present value of the future lease payments (the lease liability) equal to the right of use asset, for which the right-of-use asset is adjusted for any prepaid and accrued lease payments.
- Determine the right-of-use asset based on its carrying amount as if the standard has been applied since the commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. The present value of the future lease payments should be determined at the application date as to determine the lease liability and any differences between the right-of-use asset and the lease liability should be taken to retained earnings.

The Company has elected to use the first option in determining the right-of-use asset and lease liability at the date of transition. Therefore there is no impact on equity at the date of initial application, although this will mean there will be higher amortisation charges in the subsequent periods compared to the other approaches – modified retrospective option 2 or full retrospective approach.

Based on the above, as at 1 April 2019:

- Right-of-use assets of £1,063k were recognised and presented in the statement of financial position within "Property and equipment and right-of-use assets".
- Additional lease liabilities of £938k (included in "Trade and Other Payables") were recognised.
- The adoption of IFRS 16 had no impact on the Company's retained earnings.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019, as follows:

Assets	£
Operating lease commitments as at 31 March 2019	820
Weighted average incremental borrowing rate as at 1 April 2019	1.72%
Discounted operating lease commitments as at 1 April 2019	694
Less:	
Commitments relating to short-term leases	(27)
Add:	
Lease terms not included in operating lease commitments as at 31 March 2019	271
Lease Liabilities as at 1 April 2019	<u>938</u>

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

3. Accounting policies (continued)

3.5 Financial instruments – initial recognition and subsequent measurement (continued)

ii. Financial Instruments

Initial recognition and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI (Fair value other comprehensive income) and FVTPL (Fair value through profit or loss). The classification is based on their contractual cash flow characteristics and the business models under which they are held. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on settlement date. The Company's financial assets include cash, trade and other receivables and unquoted financial instruments.

Equity instruments at FVOCI

IFRS 9 requires all equity investments to be measured at fair value, however for equity investments that are not held for trading, entities can make an irrevocable election at initial recognition to classify the instruments at FVOCI, with all subsequent changes in fair value being recognised in other comprehensive income (OCI). This election is available for each separate investment.

Under this FVOCI category, fair value changes are recognised in other comprehensive income while dividends are recognised in profit or loss. Upon disposal of the investment, the cumulative change in fair value must remain in other comprehensive income and is not recycled to profit or loss. However, entities have the ability to transfer amounts between reserves within equity.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

iii. Impairment of financial assets

The Company is required to recognise and measure impairments in loans and receivables with a forward-looking ECL (expected credit loss) approach. Equity instruments are not subject to impairment under IFRS 9.

Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events.

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

3. Accounting policies (continued)

3.5 Financial instruments – initial recognition and subsequent measurement (continued)

iv. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either: Financial liabilities at amortised cost; or financial liabilities as at FVTPL. Financial liabilities are measured at amortised cost unless either: The financial liability is held for trading and is therefore required to be measured at FVPTL or the entity elects to measure the financial liability at FVTPL using the fair value option.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. Financial liabilities are never reclassified. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

v. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

vi. Fair value of financial instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25.

3.6 Revenue recognition

IFRS 15 outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

3. Accounting Policies (continued)

Turnover

Turnover represents commission receivable from brokerage activities conducted with clients of the Company, net of soft commission charges and net commissions due from group companies in respect of brokerage activities undertaken on their behalf. Commission and soft commission charges are recognised when the trade is executed. In addition included in turnover is the receipt from the allocation of global profits under the Instinet group's transfer pricing methodology.

Interest income

Interest income and expenses are recognised on an accruals basis.

Dividends

Dividend income is recognised when the Company's right to receive the payment is established. Dividends are included in investment income in the Statement of Comprehensive Income.

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

3. Accounting Policies (continued)

3.7 Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis so as to write-down non-current assets to their residual values over their expected useful lives. Leasehold improvements are written down over the term of the lease or useful life, whichever is shorter; computer and office equipment is written down over a period of between three and five years.

The carrying values of the assets are reviewed for impairments when events or changes in circumstances indicate the carrying value may not be recoverable.

The consumption pattern and method of depreciation are reviewed annually to ensure that they are still appropriate.

3.8 Foreign currency translation

i. Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the reporting period. Foreign currency transactions are converted at the rate of exchange ruling at the transaction date. All exchange differences are dealt with through the profit or loss account in the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

ii. Overseas branches

As at the reporting date, the assets and liabilities of overseas branches are translated into sterling at the rate of exchange ruling at the end of the reporting date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

3.9 Pensions

The Instinet Group Personal Pension Plan is a defined contribution scheme. The cost of contributions payable by the Company in respect of the Instinet Group Personal Pension Plan for the period is charged against operating profits (see note 7).

3.10 Trade Debtors and Creditors

The gross consideration of brokerage trades undertaken by the Company are recorded on settlement date and are disclosed as counterparty debtors and creditors.

3.11 Cost of Sales

Cost of sales represents the direct costs of providing brokerage services and includes settlement costs payable to other Instinet group companies and transaction charges from exchanges and third party brokers.

Notes to the financial statements at 31 March 2020 (continued)

3. Accounting Policies (continued)

3.12 Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the Statement of Financial Position date.

The UK government has reduced the UK corporation tax rate in recent years with the enacted rates at 19% from 1 April 2017.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exception:

- Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax balances are calculated at the rate at which the balances are expected to be settled, based on tax rates (and laws) that have been substantively enacted or enacted at the Statement of Financial Position date. As reduction in the corporation tax rate to 17% has been enacted, recognised and unrecognised deferred tax balances have been calculated with reference to this rate unless it is probable that the deferred tax would unwind at a different tax rate.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the group to make a single net payment.

Deferred tax is not recognised for temporary differences arising with regard to investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Current and deferred tax are charged or credited to other comprehensive income if they relate to items that are charged or credited directly to other comprehensive income. Otherwise the tax is recognised in the profit or loss for the period.

3.13 Stock Borrowing

The Company enters into stock borrowing arrangements. Under a stock borrowing arrangement a security is borrowed from counterparty with a commitment to return it at a future date. The securities borrowed are not recognised in the Statement of Financial Position and the transaction is treated as a secured loan. These balances are cash collateralised.

3.14 Share based payments

Share based payment comprises equity-settled equity awards and cash-settled liability awards.

The cost of equity-settled transactions with employees is measured by reference to the share price of Nomura Holdings Inc. prorated and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award

The cumulative expense recognised for equity-settled transactions at each Statement of Financial Position date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The Company has entered into recharge agreements with Instinet Group LLC in respect of the Nomura Stock Plan. Under the terms of the recharge agreements, the Company will be charged for the benefit of share-based compensation at the date of exercise, pro-rated over the period that the employees were in the service of the Company.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

3. Accounting Policies (continued)

3.14 Share based payments (continued)

expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled or settled, it is treated as if it vested on the date of cancellation or settlement, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled or settled award, and designated as a replacement award on the date that it is granted, the cancelled or settled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations and settlements of equity-settled transaction awards are treated equally.

Certain senior management and employees receive a portion of their variable remuneration in the form of cash-settled liability awards.

Cash-settled liability awards are measured at fair value at each Statement of Financial Position date until settlement and are classified as a corresponding liability. The expense for the period comprises the addition to and reversal of the liability between the two reporting dates and the dividend equivalent paid during the year.

It is clear that:

- where an award is modified, the liability recognised at and after the point of modification will be based on its new fair value, with the effect of any movement in the liability recognised as an expense immediately;
- where an award is cancelled the liability will be derecognised, with a credit immediately recognised in profit or loss; and
- where an award is settled, the liability will be derecognised, and any gain or loss on settlement immediately recognised in profit or loss.

3.15 Stock Lending

The Company enters into stock lending arrangements whereby securities are loaned to counterparties in accordance with the terms of joint agreements with those counterparties. Under these arrangements, ownership of the securities passes to the borrower but the Company has the right to demand the return of the loaned securities at any time. It also retains the right to receive the income to which it would have been entitled had the securities not been loaned. Accordingly, the securities are cash collateralised and the cash are included in the Statement of Financial Position.

3.16 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The effect of the time value of money is not considered to be material and therefore the provisions are not discounted.

Notes to the financial statements at 31 March 2020 (continued)

4. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on taxes are disclosed in note 10.

Determination of the lease term for lease contracts with renewal and termination options (The Company as a lessee)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

Estimates

Valuation of share based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model. The assumptions and approach used for estimating fair value for share-based payment transactions are disclosed in note 22.

Valuation of equity investment

Under IFRS 9, investments in equity instrument must be measured at fair value using the framework within IFRS 13 fair value measurement. Further details are disclosed in note 16.

Impairments

The Company has provided for impairment of receivables, further details are disclosed in note 14.

Incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available. The Company estimates the IBR using observable inputs (such as market interest rates) when available and also takes into account the terms and conditions of the lease.

Notes to the financial statements at 31 March 2020 (continued)

5. Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of these standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Definition of Material – Amendments to IAS 1 and IAS 8

In October 2018, IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. This is effective for annual periods beginning on or after 1 January 2020. The new definition states that, 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

6. Directors' emoluments

The directors' total emoluments for the period, computed in accordance with Schedule 5 of the Companies Act 2006, in respect of their services as directors of the Company, were as follows:

	Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
Aggregate remuneration in respect of qualifying services	590	581
Aggregate amounts receivable under long term incentive plans	158	199
	<u>748</u>	<u>780</u>

There were no retirement benefits accruing during the current year (2019: Nil). Three directors received emoluments in relation to their services to the Company during the year (2019: three). One (2019: one) director received payments with respect to vested shares as a result of share based payment scheme.

The emoluments of the highest paid director were as follows:

	Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
Aggregate remuneration in respect of qualifying services	357	386
Aggregate amounts receivable under long term incentive plans	158	199
Compensation due to loss of office	-	-
	<u>515</u>	<u>585</u>

The accrued pension entitlement for the highest paid director is £Nil (2019: £Nil).

Shares were exercised by the highest paid director in the current year and also 2019.

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

7. Staff costs

	Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
Wages and salaries	10,111	9,061
Share based payments	266	366
Social security costs	1,466	1,577
Other pension costs	586	584
	12,429	11,588

Included in other pension costs are £374,000 (2019: £388,000) in respect of contributions payable by the Company for the Instinet Group Pension Plan and £212,000 (2019: £196,000) in respect of employees' private pension schemes. There were no amounts outstanding or prepaid at the Statement of Financial Position date for these schemes.

The average number of employees during the period was 47 (2019: 54). In the opinion of the directors there is only one category of employees.

8. Profit / (Loss) before tax from continuing operations

Profit / (Loss) before tax from continuing operations is stated after charging:

	Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
Operating lease payable for buildings	-	138
FX (Loss) / Gain	(145)	1,740
Auditors' remuneration including expenses		
- Audit	364	394
- Other audit assurance	-	-
- Tax advisory services	31	15
Management recharge from group undertaking	40,836	39,956

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

8. Profit / (Loss) before tax from continuing operations (continued)

In addition to the audit fee shown above, an amount of £42,457 was borne by Nomura Holdings Incorporated.

A management charge is payable to Instinet Global Services Limited for trading and administrative support services, rental costs and other expenses of a non-trading nature, the use of fixed assets and such other services in relation to the equity broking business as may be agreed from time to time, subject to maximum recharge limits.

9. Interest and similar income and expense

	Year ended 31 Mar 2020	Year ended 31 Mar 2019
	£'000	£'000
Interest and similar income		
Interest receivable from group undertakings	847	518
Bank interest receivable	1,995	766
	<u>2,842</u>	<u>1,284</u>
Interest and similar expense		
Interest payable to group undertakings	4,416	3,777
Bank interest payable	1,591	1,339
	<u>6,007</u>	<u>5,116</u>

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

10. Taxation

The major components of income tax are:

	Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
Current income tax:		
UK Corporation tax	-	-
Overseas tax – current year	151	210
Overseas tax – adjustment in respect of prior years	-	-
Total current income tax expense/(credit)	151	210
Deferred tax:		
Origination and reversal of temporary differences	(26)	(23)
Effect of changes in tax rates	(17)	-
Total deferred tax expense	(43)	(23)
Total income tax expense/(credit)	108	187

	Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
Statement of other comprehensive income		
Origination and reversal of temporary differences	91	90
Effect of changes in tax rates	35	-
Deferred tax expense directly to other comprehensive income	126	90

Reconciliation of the total tax expense

The tax expense in the Statement of Profit and Loss for the period differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
Profit from continuing operations before taxation	-	-
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19%)	-	-
Expenses not deductible for income tax	6	112
Group relief claimed for nil payment	4	(121)
Effect of overseas tax rates	151	173
Overseas tax – prior year	-	-
Movement in unprovided deferred tax	(11)	46
Recognition of previously unrecognised benefit on losses	(25)	(23)
	(17)	-
Effect of changes in tax rates- recognised deferred tax		
Total income tax expense	108	187

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

10. Taxation (continued)

Income tax effects relating to other comprehensive income:

	2020			2019		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
	£'000	£'000	£'000	£'000	£'000	£'000
Exchange difference on translation of foreign operations	2,770	-	2,770	(2,704)	-	(2,704)
Revaluation of available-for-sale assets	478	(91)	387	528	(90)	438
	3,248	(91)	3,157	(2,176)	(90)	(2,266)

Deferred tax

The deferred tax included in the Statement of Financial Position is as follows:

	Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
Deferred tax liability		
Balance brought forward as at 1 April on revaluation of available-for-sale assets	(296)	(206)
Movement through other comprehensive income statement	(126)	(90)
Balance carried forward at Statement of Financial Position date	(421)	(296)
Deferred tax asset		
Balance brought forward as at 1 April on losses	74	51
Effect of change in corporate tax rate	17	-
Movement through Statement of Comprehensive Income	26	23
Balance carried forward at Statement of Financial Position date	117	74
Net deferred liability	(304)	(222)

Unrecognised deferred tax

	Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
Losses	-	30
Accelerated capital allowances	77	67
Share based payments (SARs)	27	65
Share based payments (RSUs)	35	21
Capital losses	-	-
	139	183

Analysis of movement in unrecognised deferred tax asset:

Balance brought forward at 1 April	183	205
Movement in the period – prior year	-	-
Movement in the period – current year	(58)	(22)
Effect of reduction in corporation tax rates	14	-
	139	183

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

10. Taxation (continued)

Deferred tax balances on the balance sheet have been disclosed at 19% (2019: 17%) reflecting the fact that the rate of UK corporation tax will remain at 19% rather than reducing to 17% from 1 April 2020.

Deferred tax assets of £138,700 (2019: £183,083) have not been recognised in respect of temporary differences due to uncertainty surrounding the Company's future profitability.

Country by Country Reporting Under Article 89 of Capital Requirements Directive IV (CRD IV)

Instinet Europe Limited's principal activity, including its branches, is that of a matched principal broker, registered as a corporate member of The London Stock Exchange and is authorised by the United Kingdom Financial Conduct Authority. The Company also operates branches in France, Germany and Switzerland.

Instinet Europe Ltd discloses the following for the year ended 31 March 2020:

	London		France		Switzerland		Germany		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Turnover (£'000)	116,347	107,017	9,400	9,704	356	734	958	789	127,061	118,241
Employees	33	38	11	12	-	2	3	3	47	55
Profit/(Loss) before tax (£'000)	(315)	(666)	373	325	(119)	78	61	263	-	-
Tax paid on profits (£'000)	-	-	-	-	-	-	-	-	-	-

11. Investment in subsidiary

The investment in subsidiary represents the following:

Name of company	Country of incorporation	Principal business	31 Mar 2020	
			% of equity held	% of votes held
Instinet Germany GmbH	Germany	Agency-Broker	100%	100%

The following table illustrates summarised financial information of the company's investments:

	Year ended 31 Mar 2020 £'000	Year ended 31 Mar 2019 £'000
Carrying amount of the investment as at 31 March	6,018	6,018

The subsidiary in Germany was established to ensure the Company is able to provide continued services to clients both regionally and globally as it has passporting rights after Brexit. As at 31 January, it went live in a limited capacity as a transmitting agent.

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

12. Related party disclosures

Compensation of key management personnel

	Year ended 31 Mar 2020	Year ended 31 Mar 2019
	£'000	£'000
Salaries and other short-term employee benefits	590	581
Share based payments	158	199
Total compensation paid to key management personnel	748	780

The key management personnel are the directors of the company.

The ultimate parent

The ultimate parent of the Company is Nomura Holdings Incorporated. The following transactions were entered into with Nomura Holdings Incorporated:

		Services to ultimate parent £'000	Services from ultimate parent £'000	Amounts owed by ultimate parent £'000	Amounts owed to ultimate parent £'000
Nomura International Plc					
Stockbroking	2020	(462)	1,747	13,853	(6,433)
	2019	(552)	1,112	9,601	(18,462)
Nomura Securities Company					
Stockbroking	2020	-	532	-	-
	2019	-	335	-	-

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

12. Related party disclosures (continued)

During the period the Company entered into transactions with related parties in the normal course of business and on an arm's length basis, these were unsecured and liable to interest at variable rates. The following table provides the amount of transactions that have been entered into for the relevant period with other related parties:

		Services to related parties £'000	Services from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Instinet Holdings Incorporated					
Management Services	2020	-	-	-	(39)
	2019	-	-	-	(31)
Instinet LLC					
Stockbroking	2020	(4,245)	-	97	(1,417)
	2019	(3,629)	-	789	(1,621)
Instinet Group LLC					
Management services, funding	2020	-	-	-	(7)
	2019	-	-	-	(10)
Instinet International Ltd					
Funding	2020	-	34	-	(3,522)
	2019	-	31	-	(3,492)
Instinet Global Services Ltd					
Management services, funding	2020	(508)	45,147	-	(721,921)
	2019	(356)	44,676	-	(298,862)
Instinet Canada Ltd					
Stockbroking	2020	-	-	221	-
	2019	-	-	21	-
Instinet Pacific Ltd					
Stockbroking	2020	-	-	-	(305)
	2019	-	-	-	(212)
Instinet Pacific Services Ltd					
Stockbroking	2020	-	-	-	(2)
	2019	-	-	-	(3)
Instinet Singapore Services Pte Ltd					
Stockbroking	2020	-	-	11	-
	2019	-	-	21	-
Instinet Australia Clearing Services Pte Ltd					
Stockbroking	2020	-	-	20	-
	2019	-	-	17	-
Instinet Germany GmbH					
Stockbroking	2020	-	975	-	(975)
	2019	-	-	-	-

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

13. Property, equipment and right-of-use assets

	Computer Equipment £'000	Right-of-use assets Land and Buildings £'000	Total £'000
Cost or valuation			
At 1 April 2018	118	-	118
Additions	42	-	42
Disposals	-	-	-
Exchange differences	-	-	-
At 31 March 2019	160	-	160
Effect of adoption of IFRS16 as at 1 April 2019	-	1,063	1,063
Additions	-	-	-
Disposals	(116)	-	(116)
Exchange differences	10	-	10
At 31 March 2020	54	1,063	1,117
Depreciation and impairment			
At 1 April 2018	118	-	118
Depreciation charge for the year	3	-	3
Disposals	-	-	-
Exchange differences	(3)	-	(3)
At 31 March 2019	118	-	118
Depreciation charge for the year	14	127	141
Disposals	(116)	-	(116)
Exchange differences	8	-	8
At 31 March 2020	24	127	151
Net book value			
At 31 March 2019	42	-	42
At 31 March 2020	30	936	966
Lease Liabilities Carrying amount as at 1 April – effect of adoption of IFRS 16			1,063
Additions			4
Accretion of interest			17
Payments			(142)
As at 31 March 2020			942

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

14. Trade and other receivables

	At 31 Mar 2020	At 31 Mar 2019
	£'000	£'000
Receivables from counterparties	584,054	295,502
Receivables from group companies	13,979	10,451
Margin collateral	646,316	273,971
Stock Borrowing collateral	61,190	137,129
Other receivables and taxation	2,993	5,318
	1,308,532	722,371

The receivables from counterparties balance includes an amount of £25,139k (2018: £27,483k) of that relates to share position.

As at end of the reporting period, there were no material balances that were past due more than 90 days and were not impaired.

The Company assesses at each reporting date whether there is objective evidence that trade receivables are impaired. Objective evidence would include a significant or prolonged decline in the ability of the Company to recover the trade receivables.

As at 31 March 2020, trade receivables of £1,091k were impaired. See below for the movements in the provision for impairment of receivables.

	Impairment of trade receivables At 31 Mar 2020	Impairment of trade receivables At 31 Mar 2019
	£'000	£'000
At 1 April	828	587
Charged for the year	464	580
Utilised	-	(105)
Unused amounts reversed	(239)	(259)
FX	38	25
At 31 March	1,091	828

For other details relating to related party receivables, please refer to note 12. Other receivables are generally on 30 day terms, or payable on demand.

15. Prepayments and accrued income

	At 31 Mar 2020	At 31 Mar 2019
	£'000	£'000
Prepayments	550	551
Accrued interest	282	108
Accrued revenue	13,210	5,603
	14,042	6,262

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

16. Other current financial assets

	At 31 Mar 2020 £'000	At 31 Mar 2019 £'000
Available for sale investments		
Unquoted equity shares (level 2)	<u>2,217</u>	<u>1,739</u>
 Investment income	 <u>76</u>	 <u>40</u>

The Company holds non-controlling interest (less than 0.1%) in Euroclear Plc. The investment has been designated as an available-for-sale investment and measured at estimated fair value (see note 25).

17. Cash and short-term deposits

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	At 31 Mar 2020 £'000	At 31 Mar 2019 £'000
Cash at banks and on hand	54,042	60,771
Bank overdrafts (note 18)	<u>(15,298)</u>	<u>(18,665)</u>
	<u>38,744</u>	<u>42,106</u>

Included in cash is an amount segregated under client money rules, see note 19.

18. Interest bearing loans and borrowings

				At 31 Mar 2020 £'000	At 31 Mar 2019 £'000
	LIBOR	Maturity			
Bank overdraft				15,298	18,665
Interest bearing group loans	EUR	(0.473)	On Demand	303,996	89,454
Interest bearing group loans	GBP	0.703	On Demand	37,956	87,541
Interest bearing group loans	USD	2.065	On Demand	366,644	91,297
				<u>723,894</u>	<u>286,957</u>

The Company has a policy of monitoring future cash flows and liquidity on a daily basis. Amounts owed to group undertakings are unsecured and have no fixed date repayment. At 31 March 2020 amounts totalling £723,894k (2019: £268,292k) were liable based on LIBOR.

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Notes to the financial statements at 31 March 2020 (continued)

19. Trade and other payables

Current Liabilities

	At 31 Mar 2020	At 31 Mar 2019
	£'000	£'000
Payables to counterparties	419,854	236,248
Payables to group companies	26,274	54,452
Accruals and deferred income	13,786	13,251
Stock loan collateral	64,586	72,696
Other payables	28,787	34,692
Lease liabilities	131	-
	<u>553,418</u>	<u>411,339</u>

Non-Current Liabilities

Lease liabilities	<u>811</u>	<u>-</u>
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The payables to counterparties balance includes an amount of £29,893k (2019: £35,479k) of client money which is included in the cash at bank and in hand balance on the Statement of Financial Position.

For other details relating to related party payables, please refer to note 12. Other payables are generally on 30 day terms, or payable on demand.

20. Provisions

	Total
	£'000
At 1 April 2019	11
Utilised in the year	-
FX	-
At 31 March 2020	<u>11</u>

The Company has provided for dilapidations in the Paris office based on an estimated cost per square foot.

21. Issued capital and reserves

Authorised, called up, allotted, issued and fully paid

	At	At
	31 Mar 2020	31 Mar 2019
	No.	No.
Ordinary shares at £1 each	56,826,317	56,826,317
Ordinary shares at £0.09745 each	114,618,000	114,618,000
Ordinary shares at £0.10 each	285,510,000	285,510,000
	<u>456,954,317</u>	<u>456,954,317</u>

	At	At
	31 Mar 2020	31 Mar 2019
	£'000	£'000
Ordinary shares at £1 each	56,826	56,826
Ordinary shares at £0.09745 each	11,170	11,170
Ordinary shares at £0.10 each	28,551	28,551
	<u>96,547</u>	<u>96,547</u>

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the foreign branches.

Revaluation reserve and retained earnings

Revaluation reserve records fair value changes on available for sale financial assets.

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

21. Issued capital and reserves (continued)

Share-based payment reserve

This represents the value of the equity-settled share-based payments provided by the Company's ultimate holding company and recharge with Instinet Group LLC.

22. Share-based payment

Some of the Company's employees participate in Nomura Holdings Incorporated's (NHI) stock acquisition rights (SARs) plan ("B-Plan"). Each SAR is a right to acquire 100 shares of NHI for 1 yen per share. These rights vest and become exercisable from the vesting date (five years maximum) after the grant date. The values of the SARs at grant date were calculated by reference to the share price of NHI. Given that there is insignificant historical experience available to provide a reliable estimate, the Company assumed that all the options will vest. The total charge for the period relating to SARs was £7,547 (2019: £43,385), all of which related to equity-settled share-based payment transactions. Following the introduction of Restricted Stock Units (RSUs), no new SARs, CSU or NIU awards were granted. However, existing unvested awards continue to vest in accordance with their original contractual terms.

A table detailing the SARs outstanding as at 31 March 2020 is shown below:

	Number	Weighted average fair value in pence
Outstanding at 1 April 2019	915	451
Granted during the year	-	-
Forfeited during the year	-	-
Transferred during the year	(37)	(20)
Exercised during the year	(647)	(322)
Outstanding at 31 March 2020	231	109

The weighted average remaining contractual life for the share options outstanding as at 31 March 2020 is 4.21 years (2019: 4.79 years).

Restricted Stock Units (RSUs)

Under this plan, RSUs are granted as deferred compensation. Subject to certain conditions, Nomura Holdings Inc will deliver shares of common stock to RSU grantees one to three years (up to seven years where required by local regulations) after the RSUs are granted mainly through disposal of treasury shares. The total charge for the period relating to RSUs was £254,627 (2019: £290,267), all of which related to equity-settled share-based payment transactions.

A table detailing the RSUs outstanding as at 31 March 2020 is shown below:

	Number	Weighted average fair value in pence
Outstanding at 1 April 2019	1,044	420
Granted during the year	868	267
Forfeited during the year	-	-
Transferred during the year	(104)	(42)
Exercised during the year	(317)	(127)
Outstanding at 31 March 2020	1,491	518

The weighted average remaining contractual life for the restricted stock units outstanding as at 31 March 2020 is 0.92 years.

Instinet Europe Limited

Notes to the financial statements at 31 March 2020 (continued)

22. Share-based payment (continued)

Certain senior management and employees whose remuneration is above a threshold receive a portion of their variable remuneration in the form of deferred remuneration awards. The deferred remunerations plans are listed below:

Collared Notional Stock Unit ("CSU") Plan

The plan is linked to the value of the Nomura share price, subject to a collar of +/-10% on grant prices. Awards vest quarterly over either a three or five year period, depending on the corporate title. The awards are settled in cash. The liabilities for all outstanding CSUs at each Statement of Financial Position date are measured at their fair values.

The effects of CSU on the profit and loss account and the Statement of Financial Position were as follows:

	Remuneration expense		Accrual	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	£'000	£'000	£'000	£'000
CSU	<u>4</u>	<u>19</u>	<u>9</u>	<u>38</u>

Notional Indexed Unit ("NIU") Plan

The plan is linked to the world stock index quoted by the Morgan Stanley Capital International (MSCI). Other material terms, including deferral period, vesting conditions and settlement, are the same as under the CSU plan. The liabilities for all outstanding NIUs at each Statement of Financial Position date are measured at their fair values.

The effects of NIU on the profit and loss account and the Statement of Financial Position were as follows:

	Remuneration expense		Accrual	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	£'000	£'000	£'000	£'000
NIU	<u>3</u>	<u>17</u>	<u>7</u>	<u>48</u>

23. Commitments and contingencies

a. Contingent liabilities

There is a contingent liability of approximately £9,101k (2019: £5,400k) relating to fees that Instinet Global Services, a group company, may possibly recover in future years. These fees are contingent upon the extent of future profits of the Company. The Company may, from time to time, be party to legal claims arising in the ordinary course of business. The directors do not anticipate that the outcome of such proceedings and claims, either individually or in aggregate, will have a material adverse effect on the Company's financial position.

24. Financial risk management objectives and policies

The Company's trading activities expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit, market, capital management, liquidity, and interest rate risk. The Company has in place risk management policies that seek to limit the adverse effects of these risk factors on the financial performance of the Company.

The Board of Directors have the responsibility for setting the risk management policies applied by the Company. The Directors review and agree policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. The Company is exposed to market risk in respect of market volumes but not exposed directly to equity securities price risk, because the Company trades on a matched principal basis. It should be noted that with the more benign levels market volumes, the Company's own risk exposures are reduced which provides a natural capital hedge should volumes decrease in any longer term recession and lead to operational losses. Conversely, significant spikes in activity see increases in both profitability and risk exposures. To an extent this was significantly stressed through the Covid-19 pandemic, though at all time capital headroom was monitored and remained robust, with significant headroom throughout and no triggers on our internal appetite monitoring at any point.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets and liabilities, mainly cash and cash equivalents and borrowings.

The Company has a policy of maintaining excess funds in cash and short term deposits and is not exposed to significant short-term or long-term interest rate risk. The Company does not use any derivatives to hedge interest rate risk. Any effect of interest rate fluctuation is offset by the management charge payable to Instinet Global Services Limited.

Notes to the financial statements at 31 March 2020 (continued)

24. Financial risk management objectives and policies (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Euro and the Swiss franc. Foreign exchange risk arises from trading and associated activities. Instinet International Ltd group's treasury department is responsible for managing the net position in each foreign currency by using foreign exchange swaps. The Company does not enter into forward exchange contracts for the purpose of hedging transactions. As with interest rates above, any effect of exchange rate fluctuation is offset by the management charge payable to Instinet Global Services Limited.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company has implemented policies that require appropriate credit checks on and limits for potential customers before sales trading commences. Prior to becoming a client, counterparties are subject to a credit review and approval is limited to financial institutions and corporates. The majority of transactions are operated on a delivery versus payment basis. The significant volumes experienced during the last quarter of the financial year as a result of Covid-19 pandemic lead to a higher credit risk exposure. The Company monitors these exposures on a daily basis and the risks have remained within the firms risk appetite.

The Company records its balance sheet on a trade settlement basis accordingly the maximum exposure of the Company's financial assets to credit risk is equal to the amounts disclosed in the Statement of Financial Position. Also, of the failed trades to deliver as at 31 March 2020, £472,647 remains open at 30 June 2020. Of the failed trades to receive as at 31 March 2020, £3,406 remained open at 30 June 2020.

Liquidity risk

The Company actively maintains a mixture of cash and short-term deposits that is designed to ensure the Company has sufficient funds for operations and trading activities. Cash requirements are monitored and forecast on a regular basis. The Company has arrangements in place for short-term operating and fail financing through a combination of local financing and intra-group borrowings from its intermediate parent, Instinet Holdings Incorporated. Longer term financing is provided by Instinet Holdings Incorporated. At the height of the Covid-19 volatility, day to day funding requirements were significantly increased but the Company was able to leverage off its existing funding arrangements with its parent company to ensure that requirements were met at all times.

Capital management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. In line with the new CRDIV directive the Company had sufficient capital to meet its capital requirements. The total capital ratio at year end is 29.07% which is well above the minimum requirement of 8% set by EBA.

At a high level, the longer term impact of the Covid-19 Pandemic on the Company's Capital position can be seen as relatively immaterial, given the Company's overall capital surplus.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2020.

Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Company, directly by impairing the value of the Company or indirectly through an obligor's ability to meet its obligations to the Company. Generally, these occurrences relate, but are not limited, to: sovereign events such as defaults or restructuring; political events such as contested elections or referendums; restrictions on currency movements; non-market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

24. Financial risk management objectives and policies (continued)**Operational and business risk**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Resources were effectively managed at the height of the Covid-19 pandemic when we witness huge spikes in volumes and market activity. The systems were also proven to be robust enough to deal with the increase in volumes.

Compliance risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Company incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws; rules and regulations and good market practise (including ethical standards).

25. Fair value of financial instruments

The Company's financial assets classified as equity instruments at FVOCI were measured at fair value using a valuation model, under level 2.

Level 2 uses valuation techniques based on observable inputs, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

For other financial assets and financial liabilities the fair value at the Statement of Financial Position date approximates their carrying amounts, due to the short term nature of these financial instruments.

Movements in level 2 financial instruments measured at fair value

	At 1 April 2019	Revalue of equity instruments at FVOCI	Foreign exchange movement	At 31 March 2020
	£'000	£'000	£'000	£'000
Equity instruments designated at FVOCI (Note 16)	1,739	417	61	2,217
	1,739	417	61	2,217