

BCS Prime Brokerage Limited

Registered Number: 08040031

Annual Report and Financial Statements

For the period from 1 August 2013 to 31 December 2013

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BCS Prime Brokerage Limited

Company Number 08040031

For the period from 1 August 2013 to 31 December 2013

General Information**Directors**

John Barker

Timothy Bevan

Yosef Dayan

Edward Golosov

Vitaliy Shelikhovskiy

Registered office

4th Floor, Reading Bridge House

George Street

Reading

Berkshire

RG1 8LS

Bankers

NatWest

1 Princes Street

London

EC2R 8BP

Independent auditors

Saffery Champness

Lion House

Red Lion Street

London

WC1R 4GB

Strategic Report

The directors present their strategic report and the audited financial statements for BCS Prime Brokerage Limited (the "Company") for the period from 1 August 2013 to 31 December 2013. The comparatives represent the results for the period from 20 April 2012 (date of incorporation) to 31 July 2013.

Principal activity and review of business

The Company is authorised and regulated by the FCA as a Limited Licence Firm under registration number 586463 to provide brokerage services. For the period to 31 December 2013, the company predominantly introduced clients to other group affiliates to transact in financial instruments linked to the Russian markets, for which the Company earned a cost plus return.

The directors do not anticipate any change in the nature of the Company's principal activity going forward.

The accounting reference date has been changed to 31 December 2013 to align the year end with Group, resulting in a short period for the Company.

The current period represents the results for the 5 month period from 1 August 2013 to 31 December 2013. The comparatives represent the results for the period from 20 April 2012 (date of incorporation) to 31 July 2013. Due to the differing lengths of the two periods the results for the current period are not directly comparable.

Results for the period

In the opinion of the directors the results for the period and the state of the Company's affairs as at 31 December 2013 are satisfactory. The results are in line with the directors' expectations.

The Company's loss after tax for the period amounted to \$458,536 (31 July 13: \$1,069,390). The directors do not recommend the payment of a dividend.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. In line with the Company's operating objectives, operating cost base, regulatory capital and liquidity levels are monitored on a regular basis.

Principal risks and uncertainties

The principal risks and uncertainties of the Company relate primarily to market risk, credit risk and liquidity risk, the management of which is detailed in note 4 of the financial statements.

By order of the Board



John Barker
Director
25th April 2014



Yosef Dayan
Director
25th April 2014

BCS Prime Brokerage Limited

Company Number 08040031

For the period from 1 August 2013 to 31 December 2013

Directors' Report

The directors present their report and the audited financial statements for the Company for the period from 1 August 2013 to 31 December 2013

Directors

The directors who held office during the period and up to the date of this report were

John Barker
Timothy Bevan (appointed 13 November 2013)
Yosef Dayan
Edward Golosov
Rizwan Kayani (resigned 31 December 2013)
Vitaliy Shelikhovskiy

Going concern

These financial statements have been prepared on a going concern basis. Please see note 2 for the directors' assessment of these financial statements.

Pillar 3 risk disclosure

In accordance with the rules of the Financial Conduct Authority, the Company has published information on its risk management objectives and policies on its regulatory capital requirements and resources. This information is available on the Company's website www.bcsprime.com. These disclosures are unaudited.

Political and charitable contributions

The Company did not make any political or charitable donations or incur any political expenditure during the period.

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

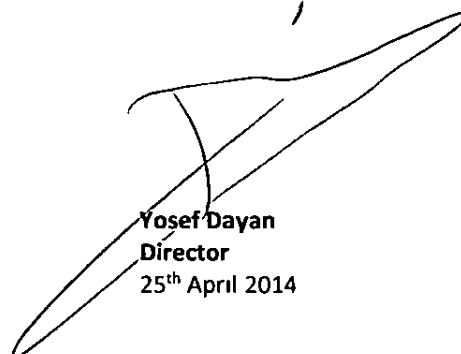
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

Saffery Champness were deemed to be reappointed as auditors during the period pursuant to Section 487 of the Companies Act 2006. A resolution concerning their re-appointment will be proposed at the meeting to approve these financial statements.

By order of the Board

John Barker
Director
25th April 2014



Yosef Dayan
Director
25th April 2014

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 2006

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 2006. The directors have chosen to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to

- consistently select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position, and financial performance

Independent Auditors' Report to the members of BCS Prime Brokerage Limited

We have audited the financial statements of BCS Prime Brokerage Limited for the period ended 31 December 2013 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 20. 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.

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out 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. 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of the Company's loss for the period from 1 August 2013 to 31 December 2013,
- 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company's 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



Richard Collis (Senior Statutory Auditor)
for and on behalf of Saffery Champness
Chartered Accountants and Statutory Auditors
Lion House
Red Lion Street
London
WC1R 4GB
United Kingdom

25th April 2014

Statement of Financial Position

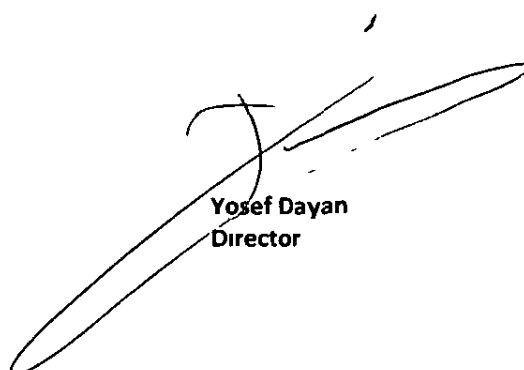
As at 31 December 2013

	Notes	31 December 2013 \$	31 July 2013 \$
Assets			
Non-current assets			
Property, plant and equipment	6	411,441	505,459
Total non-current assets		411,441	505,459
Current assets			
Financial assets at fair value through profit or loss	7	23,931,437	-
Trade and other receivables	8	6,145,687	4,029,093
Cash and cash equivalents	9	24,340,209	23,272,936
Total current assets		54,417,333	27,302,029
Total assets		54,828,774	27,807,488
Equity			
Share capital	10	23,696,058	23,696,058
Retained earnings		(1,527,926)	(1,069,390)
Total equity		22,168,132	22,626,668
Liabilities			
Current liabilities			
Trade and other payables	11	32,660,642	5,180,820
Total current liabilities		32,660,642	5,180,820
Total equity and liabilities		54,828,774	27,807,488

These financial statements were approved and authorised for issue by the Board of Directors' on 25th April 2014 and were signed on its behalf by



John Barker
Director



Yosef Dayan
Director

The notes on pages 11 to 22 are an integral part of these financial statements

BCS Prime Brokerage Limited

Company Number 08040031

For the period from 1 August 2013 to 31 December 2013

Statement of Comprehensive Income

		Period ended 31 December 2013	Period ended 31 July 2013
	Notes	\$	\$
Revenue		1,406,521	3,701,508
Administrative expenses		(1,865,057)	(4,770,898)
Operating loss	14	<u>(458,536)</u>	<u>(1,069,390)</u>
Taxation	15	-	-
Total comprehensive loss for the period		<u>(458,536)</u>	<u>(1,069,390)</u>

The loss for the period is derived wholly from continuing activities and is attributable to the equity shareholder of the Company. There are no minority interests.

There is no other comprehensive income in the period.

The notes on pages 11 to 22 are an integral part of these financial statements.

BCS Prime Brokerage Limited

Company Number 08040031

For the period from 1 August 2013 to 31 December 2013

Statement of Changes in Equity

For the period ended 31 December 2013

	Share capital \$	Retained earnings \$	Total equity \$
Balance at 1 August 2013	23,696,058	(1,069,390)	22,626,668
Loss for the period	-	(458,536)	(458,536)
Balance as at 31 December 2013	23,696,058	(1,527,926)	22,168,132

The notes on pages 11 to 22 are an integral part of these financial statements

Statement of Cash Flows

		Period ended 31 December 2013 \$	Period ended 31 July 2013 \$
	Notes		
Cash flows from operating activities			
Cash generated from operations	16	1,083,146	308,658
Net cash inflow from operating activities		1,083,146	308,658
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(15,873)	(731,780)
Net cash utilised in investing activities		(15,873)	(731,780)
Cash flows from financing activities			
Proceeds from issue of share capital	10	-	23,696,058
Net cash inflow from financing activities		-	23,696,058
Net increase in cash and cash equivalents		1,067,273	23,272,936
Cash and cash equivalents brought forward		23,272,936	-
Cash and cash equivalents carried forward	9	24,340,209	23,272,936

The notes on pages 11 to 22 are an integral part of these financial statements

BCS Prime Brokerage Limited

Company Number 08040031

For the period from 1 August 2013 to 31 December 2013

Notes to the Financial Statements**1. General information**

BCS Prime Brokerage Limited (the "Company") introduces clients to other group affiliates to transact in financial instruments linked to the Russian markets. The Company is a limited company, incorporated and domiciled in England and Wales. The address of its registered office is 4th Floor, Reading Bridge House, George Street, Reading, Berkshire, RG1 8LS.

The financial statements comprise a statement of financial position, statement of comprehensive income, statements of changes in equity and cash flows and related notes.

These financial statements are presented in US Dollars as this is the currency in which the principal activity is primarily denominated and also that the Company is in unison with the Group.

2. Going concern

The Company is a wholly owned subsidiary of BCS Holding International Limited ("the Parent Company"), a company incorporated in the British Virgin Islands.

For the period ended 31 December 2013, the Company incurred a loss of \$458,536 (31 July 2013: \$1,069,390) and has net assets of \$22,168,132 (31 July 2013: \$22,626,668). The Parent Company has provided the Company with a letter of support stating that, for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company, and in particular will not seek repayment of any amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for repayment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this understanding the directors believe that it remains appropriate to prepare the Company's financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Statement of compliance

These financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs").

3.2 Basis of presentation

The financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in note 4.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

Notes to the Financial Statements (continued)

3 Summary of significant accounting policies (continued)

3.2 Basis of presentation (continued)

Any changes to assumptions may have a significant impact on the financial statements for the period over which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements, therefore, present the financial position and results fairly.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

Standards issued but not adopted

The adoption of Standards and Interpretations issued by the International Accounting Standards Board (IASB), as adopted by the EU, that were effective for the current year has not had a material impact on the financial statements of the Company. At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

Name of new Standards/amendments	Effective date
Amendments to IAS 32 (Dec 2011) Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 9 Financial Instruments	1 January 2015
Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012)	1 January 2014

The directors are currently considering the potential impact of the adoption of IFRS 9 on the financial statements of the Company, but the Company does not believe that the adoption at any time in the future of the remaining Standards above will have any material impact on the amounts reported in these financial statements.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

3.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured in US Dollars as this is the currency in which the principal activity is primarily denominated and also that the Company are in unison with the Group. The financial statements are presented in US Dollars.

Transactions and balances

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the relevant transactions.

Monetary items denominated in foreign currency are translated at the closing rate as at the reporting date. As at 31 December 2013 the closing rate was GBP 1 1 65189 USD (31 July 2013 GBP 1 1 52073 USD). Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at period-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

All foreign exchange gains and losses recognised in the Statement of Comprehensive Income are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

3.4 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Computer and office equipment	3 years
Computer software	3 years
Furniture and fixtures	4 years
Leasehold improvements	term of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

3.5 Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided, stated net of discounts and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity.

3.7 Expenses

Expenses incurred have been recognised on an accrual basis.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

3.9 Financial assets

The Company allocates financial assets to the following IAS39 categories: financial assets at fair value through profit and loss. Management determines the classification of the Company's financial instruments at initial recognition.

Financial assets at fair value through profit or loss

This category comprises financial assets classified as held for trading.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. They are recognised in the statement of financial position as 'Financial assets at fair value through profit and loss'.

Notes to the Financial Statements (continued)

3. Summary of significant accounting policies (continued)

3.9 Financial assets (continued)

Title Transfer Collateral Arrangements

The Company enters into Title Transfer Collateral Arrangements (TTCA) with its clients. Under these arrangements, the Company has the full right of use of the collateralised assets without giving further notice to the clients. The clients entering into these arrangements have an unsecured collateral claim against the Company for the re-transfer of the equivalent assets back to them. On this basis, these collateralised assets are recognised as either cash and cash equivalents or financial assets at fair value through profit and loss and the corresponding claim is recognised under trade and other payables. The Company is not exposed to any market risk arising from the client cash or securities positions held under TTCA.

3.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

3.11 Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

3.12 Corporate tax

Current income tax

Current income tax charge is calculated on the basis of the applicable tax law in the jurisdiction in which it is generated by the Company's activities (see note 15). It is recognised as an expense for the period except to the extent that such current tax is charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to Other Comprehensive Income or to equity. Where the Company has tax losses that can be relieved against a tax liability for a previous period, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against any existing current tax balance. Where tax losses can be relieved only by being carried forward and applied against taxable profits of future periods, a deductible temporary difference arises. Those losses, where considered appropriate to recognise, are carried forward and set off against deferred tax liabilities carried in the Statement of Financial Position.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. The tax effects of carrying forward unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

3.13 Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. The leases entered into by the Company are operating leases. The total payments made under operating leases are charged to other operating expenses in the Statement of Comprehensive Income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place (see note 17).

BCS Prime Brokerage Limited

Company Number 08040031

For the period from 1 August 2013 to 31 December 2013

Notes to the Financial Statements (continued)**4 Financial risk management**

The Company's activities do not expose it to significant financial risks. Major financial risk factors in general are discussed in paragraphs below.

i. Market risk

Market risk arises from the Company's use of foreign currencies in providing brokerage services internationally and operating in the UK. It is the risk that the future cash flows will fluctuate because of changes in foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

ii. Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to GB Pounds Sterling. The foreign exchange risk arising is immaterial and the Company does not currently consider it necessary to actively manage foreign exchange risk.

iii. Credit risk

Credit risk is the risk of suffering financial loss should the Company's customers, clients or counterparties fail to fulfil their contractual obligations to the Company. The Company's main activities during the current period mainly comprised of introducing clients to other group affiliates under common control, which is of sound financial position. As at 31 December 2013, the Company's largest exposure to credit risk comprises the following assets: debtors of \$5,485,302 (31 July 2013: \$3,654,885), cash and cash equivalents held in brokerage accounts of \$21,833,211 (31 July 2013: \$20,073,636) and client cash and securities held under TTCA of \$24,214,248 (31 July 2013: \$nil) with a regulated group affiliate under common control. The credit risk charge forms part of the Company's capital adequacy calculation and is based on the total exposure. The Company's maximum exposures to credit risk were the amounts reported in the Statement of Financial Position. There are no past due or impaired assets.

iv. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments or other cash flows. The Company manages liquidity by maintaining sufficient cash with banks and matching maturities of its receivables and payables to meet its on-going commitments. The Company's largest exposure is in relation to amounts payable to its parent company, BCS Holding International Limited, who has provided an undertaking that it will not require repayment of this amount in a manner jeopardising the operations of the Company. All liabilities are payable on demand.

v. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to remain in compliance with the minimum regulatory capital requirements.

The Company aims to maintain sufficient capital resources to support the Company's risk appetite and regulatory and economic capital requirements. Capital adequacy is reviewed on a monthly basis. Capital resources comprise issued share capital and reserves.

BCS Prime Brokerage Limited

Company Number 08040031

For the period from 1 August 2013 to 31 December 2013

Notes to the Financial Statements (continued)**5. Critical accounting estimates and judgements**

The Company's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management's judgement, which necessarily have to be made in the course of preparation of the financial statements

The Company determines estimates and assumptions that affect the reported amounts of assets and liabilities for the next financial period. All estimates and assumptions required in conformity with IFRSs are best estimates undertaken in accordance with the applicable standard

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. The application of accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality

Information about the critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes

Note 3 4 – useful lives of items of property, plant and equipment

Note 15 – deferred tax asset recognition

6. Property, plant and equipment

	Computer and office equipment \$	Computer software \$	Furniture and fixtures \$	Leasehold improvements \$	Total \$
Cost					
As at 1 August 2013	380,938	74,475	32,520	243,847	731,780
Additions	15,873	-	-	-	15,873
As at 31 December 2013	<u>396,811</u>	<u>74,475</u>	<u>32,520</u>	<u>243,847</u>	<u>747,653</u>
Depreciation					
As at 1 August 2013	111,023	2,069	12,136	101,093	226,321
Charge for the period	54,174	10,343	3,388	41,986	109,891
As at 31 December 2013	<u>165,197</u>	<u>12,412</u>	<u>15,524</u>	<u>143,079</u>	<u>336,212</u>
Net book value as at 31 December 2013	<u>231,614</u>	<u>62,063</u>	<u>16,996</u>	<u>100,768</u>	<u>411,441</u>
Net book value as at 31 July 2013	<u>269,915</u>	<u>72,406</u>	<u>20,384</u>	<u>142,754</u>	<u>505,459</u>

Notes to the Financial Statements (continued)

7. Financial assets and liabilities

The following table details the categories of financial assets and liabilities held by the Company at 31 December 2013

	31 December 2013 \$	31 July 2013 \$
Financial assets held at fair value through profit or loss		
Client securities held under TTCA	<u>23,931,437</u>	<u>-</u>
Financial assets held at amortised cost		
Trade and other receivables	6,145,687	4,029,093
Cash and cash equivalents	<u>24,340,209</u>	<u>23,272,936</u>
	30,485,896	27,302,029
Total financial assets	54,417,333	27,302,029
Financial liabilities held at amortised cost		
Trade and other payables	<u>32,660,642</u>	<u>5,180,820</u>
Total financial liabilities	32,660,642	5,180,820

Cash and cash equivalents includes an amount of \$21,833,211 (31 July 13 \$20,073,636) that is being held in a brokerage account with a regulated entity which is under common control, and \$282,811 (31 July 2013 \$nil) of client's cash held under TTCA

7.1 Fair value hierarchy

The following table details the categories of financial assets and liabilities held at 31 December 2013

The following hierarchy is used for determining and disclosing the fair value of financial instruments by valuation technique

Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities,

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

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

At the reporting date the following financial instruments were measured at fair value in the statement of financial position

Level 1	31 December 2013 \$	31 July 2013 \$
Client securities held under TTCA	<u>23,931,437</u>	<u>-</u>

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Notes to the Financial Statements (continued)**8. Trade and other receivables**

	31 December 2013 \$	31 July 2013 \$
Amounts due from related entities	5,485,302	3,654,885
Prepayments	245,427	195,507
Other receivables	414,958	178,701
Total trade and other receivables	6,145,687	4,029,093

Other receivables includes a rent deposit of \$190,108 (31 July 13 \$178,547) due after more than one year

9. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances

	31 December 2013 \$	31 July 2013 \$
Cash at bank and in hand	24,057,398	23,272,936
Client cash held under TTCA	282,811	-
Total cash and cash equivalents	24,340,209	23,272,936

The fair value of cash and cash equivalents approximates to the book value due to the short term maturity of these instruments. Included within cash at bank and in hand is \$21,833,211 (31 July 13 \$20,073,636) that is being held in a brokerage account with a regulated entity which is under common control

10. Share capital

	31 December 2013 \$	31 July 2013 \$
Allotted, called up and fully paid	23,696,058	23,696,058
154,000 ordinary shares of £100 each	23,696,058	23,696,058

11. Trade and other payables

	31 December 2013 \$	31 July 2013 \$
Trade payables	429,089	259,631
Other payables – client cash and securities held under TTCA	24,291,897	-
Other payables	-	74,221
Amounts due to related entities	6,744,399	4,527,487
Other taxes and social security costs	186,061	102,502
Accruals	1,009,196	216,979
Total trade and other payables	32,660,642	5,180,820

Trade payables and amounts due from Group entities are unsecured, interest free and payable within a year

Notes to the Financial Statements (continued)

12. Directors' emoluments

	Period ended 31 December 2013 \$	Period ended 31 July 2013 \$
Emoluments	444,002	679,386
Social security costs	43,720	86,561
	487,722	765,947

The aggregate emoluments receivable by the highest paid director were \$167,423 (31 July 2013 \$353,908)

13. Staff costs

	Period ended 31 December 2013 \$	Period ended 31 July 2013 \$
Staff costs include.		
Wages and salaries (including directors)	1,954,758	2,141,654
Social security costs	248,321	268,070
Total	2,203,079	2,409,724

Average number of employees (including directors)
during the period

17	8
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14. Operating loss

The following items have been included in arriving at operating loss

	Period ended 31 December 2013 \$	Period ended 31 July 2013 \$
Auditors' remuneration		
- fees payable to the auditor for the audit of the Company's financial statements	20,895	30,886
Depreciation	109,891	226,321
Operating lease rentals	110,201	268,905
Foreign exchange (gain)/ loss	(1,878,827)	239,115

15. Taxation

	Period ended 31 December 2013 \$	Period ended 31 July 2013 \$
Current tax expenses		
Current year income tax charge	-	-
Deferred tax		
Origination and reversal of temporary differences	-	-
Total income tax expense	-	-

Notes to the Financial Statements (continued)

15. Taxation (continued)

The current tax charge for the period differs from the standard (31 July 13 blended) rate of corporation tax in the UK of 23% (31 July 13 23.63%). The differences are explained below

	Period ended 31 December 2013 \$	Period ended 31 July 2013 \$
Current tax reconciliation		
Loss before corporation tax	(458,536)	(1,069,390)
Tax calculated at corporation tax rate in the UK of 23% (31 July 13 23.63%)	(105,463)	(252,697)
Effects of:		
Expenses not deductible for tax purposes	10,687	31,001
Loss carried forward	80,886	223,453
Impact of timing differences	13,890	(1,757)
Tax charge	-	-

A potential deferred tax asset of \$267,746 (31 July 13 \$197,021), primarily relating to losses of \$1,297,314 (31 July 13 \$945,633) carried forward, has not been recognised as the directors do not believe it certain enough that suitable taxable profits will be earned in the immediate future

16. Cash generated from operations

	Period ended 31 December 2013 \$	Period ended 31 July 2013 \$
Loss before income tax	(458,536)	(1,069,390)
Adjustments for		
Depreciation	109,891	226,321
Changes in working capital		
Increase in financial assets at fair value through profit or loss	(23,931,437)	-
Increase in trade and other receivables	(2,116,594)	(4,029,093)
Increase in trade and other payables	27,479,822	5,180,820
Cash generated from operations	1,083,146	308,658

17. Operating leases

At the end of the reporting period, the future minimum lease payments under non-cancellable operating lease are payable as follows

	Period ended 31 December 2013 \$	Period ended 31 July 2013 \$
Less than one year	310,768	291,688
Between one and five years	-	116,675
	310,768	408,363

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Notes to the Financial Statements (continued)**18. Ultimate controlling party**

The Company is a 100% subsidiary undertaking of BCS Holding International Limited, which is incorporated in the British Virgin Islands. The ultimate controlling party is Oleg Mikhasenko.

The largest & the smallest company in which the results of the Company are consolidated is BCS Holding International Limited.

19. Related party transactions

Balances with related parties (entities under common control)

- a) An amount of \$21,833,211 (31 July 13 \$20,073,636) placed within a brokerage account with a regulated entity is included in Cash & Cash Equivalents.
- b) An amount of \$282,811 (31 July 13 \$nil) included in Cash & Cash Equivalents relates to client cash held under TTCA that has been placed with a regulated entity.
- c) An amount of \$23,931,437 (31 July 13 \$nil) included in financial assets has been placed with a regulated entity.
- d) A receivable of \$5,485,302 (31 July 13 \$3,654,885) that is unsecured, interest free and payable on demand.
- e) A brokerage fee payable of \$23,126 (31 July 13 \$nil) is included within accruals.

Balances with related parties (parent undertaking)

- a) A payable of \$6,744,399 (31 July 13 \$4,527,487) that is unsecured, interest free and payable on demand.

Income & Expense items with related parties

- a) During the period ended 31 December 2013, the parent undertaking paid for expenses amounting to \$nil (31 July 13 \$1,992,694) on behalf of the Company and also provided funding to the Company.
- b) During the period ended 31 December 2013, the Company paid for expenses amounting to \$23,494 (31 July 13 \$nil) on behalf of the parent undertaking.
- c) For the period ended 31 December 2013, the Company earned \$1,378,340 (31 July 13 \$3,701,508) from a regulated entity under common control, being the cost plus return.
- d) For the period ended 31 December 2013, the Company incurred brokerage fee expenses of \$23,126 (31 July 13 \$nil) from a regulated entity under common control.

20. Subsequent events

There were no subsequent events requiring adjustments or disclosure in these financial statements.