

# BCS Prime Brokerage Limited

Registered Number: 08040031

Annual Report and Financial Statements

For the year ended 31 December 2014



## **Table of Contents**

	<b>Page</b>
General Information .....	<b>1</b>
Strategic Report.....	<b>2</b>
Directors' Report.....	<b>3</b>
Statement of Directors' Responsibilities.....	<b>4</b>
Independent Auditors' Report.....	<b>5</b>
Statement of Financial Position .....	<b>6</b>
Statement of Comprehensive Income.....	<b>7</b>
Statement of Changes in Equity .....	<b>8</b>
Statement of Cash Flows .....	<b>9</b>
Notes to the Financial Statements .....	<b>10</b>

**BCS Prime Brokerage Limited**  
Company Number: 08040031  
For the year ended 31 December 2014

## **General Information**

### **Directors**

John Barker  
Timothy Bevan  
Yosef Dayan  
Edward Golosov  
Vitaliy Shelikhovskiy (resigned 2 June 2014)  
Ratmir Levchuk (appointed 25 July 2014)

### **Registered office**

4th Floor, Reading Bridge House  
George Street  
Reading  
Berkshire  
RG1 8LS

### **Bankers**

NatWest  
1 Princes Street  
London  
EC2R 8BP

### **Independent auditors**

KPMG LLP  
Chartered accountants  
15 Canada Square  
London  
E14 5GL  
United Kingdom

## **Strategic Report**

The directors present their strategic report for BCS Prime Brokerage Limited (the "Company") for the year ended 31 December 2014.

### **Principal activity and review of business**

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") as a Limited Licence Firm under registration number 586463 to provide brokerage services. BCS Prime Brokerage Limited is a full service agency broker offering high-touch and low-touch solutions to trade Russian assets both within the Russian Federation and on global markets. The BCS approach is based on a hybrid model of capital markets and technology specialists, supported by strong financing and research capabilities through the wider Group, headed by BCS Holding International Limited (of which BCS Prime Brokerage Limited is a 100% subsidiary). The directors do not anticipate any change in the nature of the Company's principal activity going forward though there will be a significant migration of clients from the related sister company in Cyprus during 2015 leading to an increase in brokerage income. During the year the Company registered a Branch in Moscow with the corporate registration authorities and the tax authorities of the Russian Federation. At the end of the year it employed a limited number of staff. It is intended in 2015 to extend the activities of the Branch.

The current period represents the results for the year ended 31 December 2014. The comparatives represent the results for the five months from 1 August 2013 to 31 December 2013. Due to the differing lengths of the two periods the results for the current period are not directly comparable with the prior period. The Company initially filed accounts for the period from incorporation in April 2012 until July 2013. In order to align the accounting reference date with that of the Group, financial statements were prepared for the period August 2013 to December 2013. No further change in accounting reference date is envisaged.

### **Results for the period**

In the opinion of the directors the results for the year ended 31 December 2014 and the state of the Company's affairs as at 31 December 2014 are satisfactory. The results are in line with the directors' expectations.

Revenues for the year totalled \$14,990,153 of which \$10,623,182 represented cost plus revenue from a related entity in Cyprus. Third party revenues totalled \$4,366,971. These third party revenues have increased steadily over the year. As the Company enters its third year of operations in 2015 the amount of third party revenue is expected to increase significantly (as clients are migrated from Cyprus to London) and the cost plus revenue to reduce sharply. The Company's profit after tax for the period amounted to \$1,539,335 (1 August 2013 to 31 December 2013: loss of \$458,536). The directors do not recommend the payment of a dividend (Period ended 31 December 2013: \$nil).

### **Key performance indicators ("KPIs")**

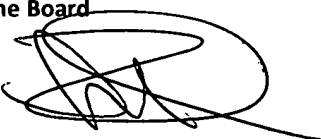
In line with the Company's operating objectives, the level of external brokerage and other revenues, the operating cost base, cash expenditures, the regulatory capital position and liquidity levels are monitored on a regular basis.

### **Principal risks and uncertainties**

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

#### **By order of the Board**

**John Barker**  
Director  
27 April 2015



**Tim Bevan**  
Director  
27 April 2015



## **Directors' Report**

The directors present their report for the Company for the year ended 31 December 2014.

### **Directors**

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

John Barker  
Timothy Bevan  
Yosef Dayan  
Edward Golosov  
Vitaliy Shelikhovskiy (resigned 2 June 2014)  
Ratmir Levchuk (appointed 25 July 2014)

### **Going concern**

These financial statements have been prepared on a going concern basis. The Company prepares a Budget in November/December for the following year. Given recent volatility in Russian markets over the winter months the Company based its going concern review on an additional detailed reforecast/sensitised reforecast of P&L, Balance Sheet and cash flows for 2015. See note 2 for the directors' assessment of the appropriateness of preparing these financial statements on a going concern basis. The \$7.8m of cash mentioned in that note is an Internal Liquidity Adequacy Assessment ("ILAA") unencumbered cash reserve.

### **Pillar 2 surplus**

At 31 December 2014 the Company had a Pillar 2 surplus of \$5,145,129 (Capital & reserves of \$23,707,467 less a requirement of \$18,562,338). This disclosure is unaudited.

### **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 and on its regulatory capital requirements and resources. This information is available on the Company's website [www.bcsprime.com](http://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 (1 August 2013 to 31 December 2013: \$nil).

### **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**

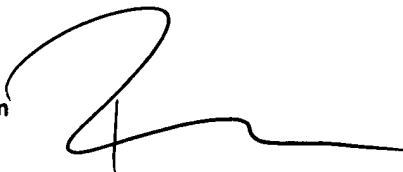
KPMG LLP were appointed as auditors during the period pursuant to Section 487 of the Companies Act 2006 on 18 December 2014. A resolution concerning their re-appointment will be proposed at the meeting to approve these financial statements.

### **By order of the Board**

John Barker  
Director  
27 April 2015



Timothy Bevan  
Director  
27 April 2015



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

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on the next page, is made with a view to distinguishing the respective responsibilities of the Directors and of the Auditor in relation to 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 and a Strategic 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.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their comprehensive income for that period. In preparing the company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis; 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 year ended 31 December 2014 set out on pages 6 to 24. 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 Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2014 and of the profit of the Company for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **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.



**Michael McGarry (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditors  
Chartered Accountants  
15 Canada Square, London, E14 5GL  
United Kingdom  
Date: 27 April 2015

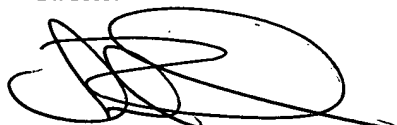
# Statement of Financial Position

As at 31 December 2014

	Notes	31 December 2014	31 December 2013
		\$	Restated \$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	248,783	411,441
<b>Total non-current assets</b>		<b>248,783</b>	<b>411,441</b>
<b>Current assets</b>			
Client cash held under TTCA	7,9	37,804,160	141,784
Trade and other receivables	7,8	8,819,449	5,927,008
Cash and cash equivalents	7,9	34,739,360	24,198,426
<b>Total current assets</b>		<b>81,362,969</b>	<b>30,267,218</b>
<b>Total assets</b>		<b>81,611,752</b>	<b>30,678,659</b>
<b>Equity</b>			
Share capital	10	23,696,058	23,696,058
Retained earnings		11,409	(1,527,926)
<b>Total equity</b>		<b>23,707,467</b>	<b>22,168,132</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7,11	57,904,285	8,510,527
<b>Total current liabilities</b>		<b>57,904,285</b>	<b>8,510,527</b>
<b>Total equity and liabilities</b>		<b>81,611,752</b>	<b>30,678,659</b>

These financial statements were approved and authorised for issue by the Board of Directors' on 27 April 2015 and were signed on its behalf by:

John Barker  
Director



Timothy Bevan  
Director



The notes on pages 10 to 24 are an integral part of these financial statements.



## Statement of Comprehensive Income

		Period ended 31 December 2014	Period ended 31 December 2013 Restated
	Notes	\$	\$
Revenue		14,990,153	1,406,521
Administrative expenses		(13,323,122)	(1,865,057)
<b>Operating profit/(loss) for the period</b>	13	1,667,031	(458,536)
Taxation	14	(127,696)	-
<b>Total comprehensive profit/(loss) for the period</b>		<b>1,539,335</b>	<b>(458,536)</b>

The period ending 31 December 2013 was from 1 August 2013 to 31 December 2013.

The profit 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 10 to 24 are an integral part of these financial statements.

**BCS Prime Brokerage Limited**  
Company Number: 08040031  
For the year ended 31 December 2014

## **Statement of Changes in Equity**

**For the period ended 31 December 2014**

	<b>Share capital</b> \$	<b>Retained earnings</b> \$	<b>Total equity</b> \$
<b>Balance as at 1 August 2013</b>	23,696,058	(1,069,390)	22,626,668
Profit for the period ended 31 December 2013	-	(458,536)	(458,536)
<b>Balance as at 1 January 2014</b>	23,696,058	(1,527,926)	22,168,132
Profit for the period ended 31 December 2014	-	1,539,335	1,539,335
<b>Balance as at 31 December 2014</b>	<b>23,696,058</b>	<b>11,409</b>	<b>23,707,467</b>

The period ending 31 December 2013 was from 1 August 2013 to 31 December 2013.

The notes on pages 10 to 24 are an integral part of these financial statements.

## Statement of Cash Flows

		Period ended 31 December 2014	Period ended 31 December 2013 Restated
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Cash generated from operations	15	48,327,837	1,083,147
<b>Net cash inflow from operating activities</b>		<u>48,327,837</u>	<u>1,083,147</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	6	(124,527)	(15,873)
<b>Net cash utilised in investing activities</b>		<u>(124,527)</u>	<u>(15,873)</u>
<b>Net increase in cash and cash equivalents</b>		<u>48,203,310</u>	<u>1,067,274</u>
Cash and cash equivalents brought forward		24,340,210	23,272,936
<b>Cash and cash equivalents carried forward</b>	9	<u>72,543,520</u>	<u>24,340,210</u>

The notes on pages 10 to 24 are an integral part of these financial statements.

## **Notes to the Financial Statements**

### **1. General information**

BCS Prime Brokerage Limited (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, statement of changes in equity and statement of cash flows and related notes.

These financial statements are presented in US Dollars as this is the currency in which the principal activity of the Company is primarily denominated. The balance sheet is mostly denominated in US Dollars at 31 December 2014 and due to the redenomination of a Group loan in early 2015 is now overwhelmingly denominated in US Dollars.

### **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 2014, the Company made a profit after tax of \$1,539,335 (Period ended 31 December 2013: loss \$458,536) and has net assets of \$23,707,467 (31 December 2013: \$22,168,132). 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 will 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. Since early 2015 the Company has an unencumbered cash reserve of \$7.8m in a ring-fenced UK bank account to be used to wind down the operations of the Company in the event of a withdrawal of the support of the Parent Company.

Based on the understanding of ongoing Parent Company support 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**

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU.

At 31 December 2014, there were no unendorsed standards effective for the year ended 31 December 2014 affecting the financial statements and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company.

## **Notes to the Financial Statements (continued)**

### **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.

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.

Certain comparative balances have been restated due to a change in two accounting treatments and to correct some prior year disclosures. Refer to note 20 for further detail.

#### **Standards adopted during the year ended 31 December 2014**

There were no new standards applied during the year ended 31 December 2014.

#### **Future accounting developments**

In addition to the projects to complete financial instrument accounting, discussed below, the IASB is working on projects on insurance and lease accounting which could represent significant changes to accounting requirements in the future.

#### **Standards and amendments issued by the IASB and endorsed by the EU but effective after 31 December 2014**

During 2014, the EU endorsed the amendments issued by IASB through the Annual Improvements to IFRSs 2010-2012 Cycle and the 2011-2013 Cycle, and a narrow-scope amendment to IAS 19 Employee Benefits. The company has not early applied any of these amendments and it expects they will have an immaterial effect, when applied, on the financial statements of the Company.

#### **Standards and amendments issued by the IASB but not endorsed by the EU**

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The directors are currently assessing the impact of this standard but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

## **Notes to the Financial Statements (continued)**

The directors are currently considering the potential impact of the adoption of IFRS9 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.

### **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 of the Company is primarily denominated. 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 2014 the only material assets/liabilities in a currency other than US Dollars were in GBP. As at 31 December 2014 the closing rate was GBP 1:5539 USD (31 December 2013: GBP 1:1.6519 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. Amounts have been translated using the said exchange rate, including totals and sub-totals, and any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

### **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)**

### **3.5 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.

### **3.6 Revenue recognition**

Third-party revenue of \$4,366,971 (1 August 2013 to 31 December 2013: \$28,182) 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. In addition, as a start-up business the Company has relied on cost plus revenue from a related company in Cyprus that is recognised in income, \$10,623,182 out of total revenues of \$14,990,153 (1 August 2013 to 31 December 2013: \$1,378,339 from \$1,406,521).

### **3.7 Expenses**

Expenses incurred have been recognised on an accruals 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 has in the past allocated 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. During the year the company changed the accounting treatment of such assets (see note 20).

#### **Financial assets at fair value through profit or loss**

This category comprised financial assets classified as held for trading. A financial asset was 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 were managed together and for which there was evidence of a recent actual pattern of short-term profit-taking.

They were recognised in the statement of financial position as 'Financial assets at fair value through profit and loss'.

## **Notes to the Financial Statements (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, where these collateralised assets are cash they are recognised as cash on the balance sheet and the corresponding claim is recognised under trade and other payables. Collateralised assets under these arrangements, and the corresponding claims, are not recognised on the balance sheet (see note 20). The Company is not exposed to any market risk arising from the client cash or asset 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 and deferred income tax**

The 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 14). 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 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 16).



## **Notes to the Financial Statements (continued)**

### **4. Financial risk management**

Financial risk factors incurred by the Company's activities are discussed in the paragraphs below.

#### **i. Market risk**

Market risk arises solely from the Company's use of foreign currencies in providing brokerage services internationally and operating in the UK. It is the risk that 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's foreign exchange risk arises primarily with respect to GB Pounds Sterling. The Company actively manages its foreign exchange exposures within a strict limit framework.

#### **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. Specifically, the Company incurs credit risk when placing cash or securities with custodians or brokers, conducting trades on an execution-only basis with other market participants and providing margin leverage services to clients.

These activities are identified, controlled and monitored within the risk management framework.

As at 31 December 2014, the Company's largest exposure to credit risk comprises the following assets: debtors of \$8,819,449 (31 December 2013: \$5,927,008) mainly from a related entity (sister company) and cash and cash equivalents totalling \$72,543,520 (31 December 2013: \$24,340,210). At the end of 2014 \$60,279,532 (31 December 2013: \$22,116,184) of the cash and cash equivalents were held with related entities. See note 18 for further details.

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, which has provided an undertaking via a loan agreement that it will not require repayment of this amount in a manner jeopardising the operations of the Company (earliest contractual repayment in March 2017).

Set out below are tables showing the contractual maturities of assets and liabilities as at 31 December 2014 and 31 December 2013.

## Notes to the Financial Statements (continued)

Contractual maturities of assets and liabilities as at 31 December 2014 and as at 31 December 2013:

2014 \$m	<1m	1m to 3m	3m to 6m	6m to 9m	9m to 12m	1yr to 2yrs	2yrs to 5yrs	Over 5yrs	Total
Client cash held under TCCA	37.8								37.8
Cash and cash equivalents	34.7								34.7
Receivable from related entity	8.2								8.2
<b>Total assets</b>	<b>80.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>80.7</b>
Trade creditors		0.3							0.3
Accrued expenses		1.7							1.7
Client cash held under TTCA	37.8								37.8
Corporation tax				0.1					0.1
Loan to parent company							17.7		17.7
<b>Total liabilities</b>	<b>37.8</b>	<b>2.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>17.7</b>	<b>0.0</b>	<b>57.6</b>
<b>Net liquidity surplus</b>	<b>42.9</b>	<b>(2.0)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>17.7</b>	<b>0.0</b>	<b>23.1</b>

2013 \$m	<1m	1m to 3m	3m to 6m	6m to 9m	9m to 12m	1yr to 2yrs	2yrs to 5yrs	Over 5yrs	Total
Client cash held under TCCA	0.1								0.1
Cash and cash equivalents	24.2								24.2
Receivable from related entity	5.5								5.5
<b>Total assets</b>	<b>29.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>29.8</b>
Trade creditors	0.4								0.4
Accrued expenses	1.0								1.0
Client cash held under TTCA	0.1								0.1
Corporation tax	0.0								0.0
Loan to parent company	6.7								6.7
<b>Total liabilities</b>	<b>8.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>8.2</b>
<b>Net liquidity surplus</b>	<b>21.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>21.6</b>

## **Notes to the Financial Statements (continued)**

### **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.

### **vi. Reputational risk management**

Reputational risk is the potential for damage to the Company's franchise, resulting in loss of earnings or adverse impact on the value of the Company as a result of a negative view of the Company or its actions being taken by third parties. Reputational risk could arise from the failure of the Company to effectively mitigate the risks in its business including one or more of credit, liquidity, market, regulatory, legal or any other operational risk. Damage to the reputation of the Company could cause existing clients to reduce or cease to do business with the Company and prospective clients to do business with the Company. All employees are responsible for day-to-day identification and management of reputational risk. The Company actively manages its reputational risk exposures, discusses reputational risk as appropriate at its monthly Risk Committee and takes it into consideration in its ICAAP scenario analysis and calculations.

## **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 the 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.

## Notes to the Financial Statements (continued)

### 6. Property, plant and equipment

	Computer and office equipment \$	Computer software \$	Furniture and fixtures \$	Leasehold improvements \$	Total \$
<b>Cost</b>					
As at 1 January 2014	396,811	74,475	32,520	243,847	747,653
Additions	106,351	-	14,647	3,529	124,527
As at 31 December 2014	<u>503,162</u>	<u>74,475</u>	<u>47,167</u>	<u>247,376</u>	<u>872,180</u>
<b>Depreciation</b>					
As at 1 January 2014	165,196	12,413	15,523	143,080	336,212
Charge for the period	147,188	24,825	10,876	104,296	287,185
As at 31 December 2014	<u>312,384</u>	<u>37,238</u>	<u>26,399</u>	<u>247,376</u>	<u>623,397</u>
<b>Net book value as at 31 December 2014</b>	<u><b>190,778</b></u>	<u><b>37,237</b></u>	<u><b>20,768</b></u>	<u><b>-</b></u>	<u><b>248,783</b></u>
<b>Net book value as at 31 December 2013</b>	<u><b>231,615</b></u>	<u><b>62,062</b></u>	<u><b>16,997</b></u>	<u><b>100,767</b></u>	<u><b>411,441</b></u>

### 7. Financial assets and liabilities

The following table details the categories of financial assets and liabilities held by the Company at 31 December 2014.

	Note	31 December 2014 \$	31 December 2013 Restated \$
Client cash held under TTCA	9	<u>37,804,160</u>	<u>141,784</u>
<b>Financial assets held at amortised cost</b>			
Trade and other receivables	8	8,819,449	5,927,008
Cash and cash equivalents	9	<u>34,739,360</u>	<u>24,198,426</u>
		<u>43,558,809</u>	<u>30,125,434</u>
<b>Total financial assets</b>		<u><b>81,362,969</b></u>	<u><b>30,267,218</b></u>
<b>Financial liabilities held at amortised cost</b>			
Trade and other payables		<u>57,904,285</u>	<u>8,510,527</u>
<b>Total financial liabilities</b>		<u><b>57,904,285</b></u>	<u><b>8,510,527</b></u>

See note 18 for details of amounts held with related parties.

## Notes to the Financial Statements (continued)

### 8. Trade and other receivables

	31 December 2014	31 December 2013 Restated
	\$	\$
Amounts due from related entities	8,187,024	5,485,302
Prepayments	428,445	245,427
Other receivables	203,980	196,279
<b>Total trade and other receivables</b>	<b>8,819,449</b>	<b>5,927,008</b>

Other receivables includes a rent deposit of \$178,831 (31 December 2013: \$190,108) due after more than one year.

See note 18 for details of amounts held with related parties.

### 9. Cash and cash equivalents

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

	31 December 2014	31 December 2013 Restated
	\$	\$
Cash at bank and in hand	34,739,360	24,198,426
Client cash held under TTCA	37,804,160	141,784
<b>Total cash and cash equivalents</b>	<b>72,543,520</b>	<b>24,340,210</b>

The fair value of cash and cash equivalents approximates to the book value due to the short term maturity of these instruments. See note 18 for details of amounts held with related parties.

### 10. Share capital

	31 December 2014	31 December 2013 Restated
	\$	\$
<b>Allotted, called up and fully paid</b>	<b>23,696,058</b>	<b>23,696,058</b>
154,000 ordinary shares of £100 each	<b>23,696,058</b>	<b>23,696,058</b>

## Notes to the Financial Statements (continued)

### 11. Trade and other payables

	31 December 2014	31 December 2013 Restated
	\$	\$
Trade payables	305,443	429,089
Client cash held under TTCA	37,804,160	141,784
Corporation tax payable	127,696	-
Amounts due to related entities	17,729,059	6,744,399
Other taxes and social security costs	192,968	186,061
Accruals	1,744,959	1,009,194
<b>Total trade and other payables</b>	<b>57,904,285</b>	<b>8,510,527</b>

See note 18 for details of amounts held with related parties.

The directors consider that the value of the loan from the parent company of \$17,729,059 (31 December 2013: \$6,744,399) is a reasonable approximation of the fair value given that it is an intercompany facility.

### 12. Directors' emoluments and Staff costs

	Period ended 31 December 2014	Period ended 31 December 2013 Restated
	\$	\$
<b>Directors' emoluments</b>		
	1,520,701	444,002
Emoluments		
Social security costs	204,477	43,720
	<b>1,725,178</b>	<b>487,722</b>

The aggregate emoluments receivable by the highest paid director were \$794,113 (5 months from 1 August 2013 to 31 December 2013: \$167,423).

	Period ended 31 December 2014	Period ended 31 December 2013 Restated
	\$	\$
<b>Staff costs include:</b>		
Wages and salaries (including directors)	6,665,972	1,954,758
Social security costs	839,138	248,321
<b>Total</b>	<b>7,505,110</b>	<b>2,203,079</b>
 Average number of employees (including directors) during the period	 26	 17

## Notes to the Financial Statements (continued)

### 13. Operating profit/(loss)

The following items have been included in arriving at operating profit/(loss):

	Period ended 31 December 2014	Period ended 31 December 2013 Restated
	\$	\$
Auditors' remuneration:		
- fees payable to the auditor for the audit of the Company's financial statements	133,851	19,895
-CASS audit	6,000	1,000
Depreciation	287,185	109,891
Operating lease rentals	292,437	110,201
Foreign exchange (gain)	(253,833)	(1,878,827)

### 14. Taxation

	Period ended 31 December 2014	Period ended 31 December 2013 Restated
	\$	\$
<b>Current tax expenses</b>		
Current year income tax charge	127,696	-
<b>Deferred tax</b>		
Origination and reversal of temporary differences	-	-
<b>Total income tax expense</b>	<b>127,696</b>	<b>-</b>

The current tax charge for the period differs from the standard rate of corporation tax in the UK of 21.5% (31 December 2013: 23.0%). The differences are explained below:

	Period ended 31 December 2014	Period ended 31 December 2013 Restated
	\$	\$
<b>Current tax reconciliation</b>		
Profit/(Loss) before corporation tax	1,667,031	(458,536)
Tax calculated at corporation tax rate in the UK of 21.5% (31 December 2013: 23.0%)	358,297	(105,463)
<b>Effects of:</b>		
<b>Marginal relief</b>	(2,363)	-
Expenses not deductible for tax purposes	22,701	10,687
Used losses/Loss carried forward	(270,470)	80,886
Impact of timing differences	19,531	13,890
<b>Tax charge</b>	<b>127,696</b>	<b>-</b>

## Notes to the Financial Statements (continued)

No deferred tax asset or liability is recognised. The directors do not believe there are any timing differences that would give rise to such assets or liabilities.

### 15. Cash generated from operations

	Period ended 31 December 2014	Period ended 31 December 2013 Restated
	\$	\$
Profit/(Loss) before income tax	1,539,335	(458,536)
<b>Adjustments for:</b>		
Depreciation	287,185	109,891
<b>Changes in working capital:</b>		
Increase in trade and other receivables	(2,892,441)	(1,897,915)
Increase in trade and other payables	49,393,758	3,329,707
<b>Cash generated from operations</b>	<b>48,327,837</b>	<b>1,083,147</b>

### 16. Operating leases

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

	Period ended 31 December 2014	Period ended 31 December 2013 Restated
	\$	\$
Less than one year	298,050	310,768
Between one and five years	521,588	-
More than five years	-	-
	<b>819,638</b>	<b>310,768</b>

### 17. 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 and the smallest company in which the results of the Company are consolidated is BCS Holding International Limited.



## **Notes to the Financial Statements (continued)**

### **18. Related party transactions**

Balances with related parties (entities under common control):

- a) An amount of \$60,279,532 (31 December 2013: \$22,116,022) out of the total cash and cash equivalents of \$72,543,520 (31 December 2013: 24,340,210) is placed with related entities. Of the remaining cash and cash equivalents \$5,298,672 (31 December 2013: \$2,224,188) is held in UK bank accounts and the remaining \$6,965,316 (31 December 2013: \$nil) with other third parties (mainly A-rated banks) in brokerage accounts.
- b) An amount of \$8,187,024 (31 December 2013: \$5,485,302) that is unsecured, interest free and payable on demand is receivable from a regulated related entity under common control.
- c) A brokerage fee payable of \$627,000 (5 months from 1 August 2013 to 31 December 2013: \$23,126) is included within accruals.

Balances with related parties (parent company):

- a) An amount of \$17,729,059 (31 December 2013: \$6,744,399) that is unsecured and repayable at the earliest in March 2017 is payable to the Parent Company.

Income and expense items with related parties:

- a) During the period ended 31 December 2014, the parent undertaking paid for expenses amounting to \$11,570 (5 months from 1 August 2013 to 31 December 2013: \$nil) on behalf of the Company and also provided funding to the Company.
- b) During the period ended 31 December 2014, the Company paid for expenses amounting to \$811 (5 months from 1 August 2013 to 31 December 2013: \$23,494) on behalf of the parent undertaking.
- c) For the period ended 31 December 2014, the Company earned \$10,623,182 (5 months from 1 August 2013 to 31 December 2013: \$1,378,340) from a regulated related entity under common control, being the cost plus revenue.
- d) For the period ended 31 December 2014, the Company incurred brokerage fee expenses of \$627,000 (5 months from 1 August 2013 to 31 December 2013: \$23,126) from a regulated entity under common control.
- e) During the year the Company paid emoluments and social security payments totalling \$3,178,190 to Directors and employees exerting a significant influence over the Company. In addition, as at 31 December 2014, the Company has accrued further payments totalling \$680,000 payable to Directors and employees exerting significant influence over the Company.

### **19. Subsequent events**

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

### **20. Restatement of prior-year balances**

As was stated in note 3.2, during the year the Company decided to change two accounting treatments.

The first change relates to the recording of the assets, and resultant liabilities, arising from client assets held under TTCA. The accounting policy for cash TTCA assets remains unchanged. This change was applied retrospectively. The Company also decided to record unsettled trades on the date of settlement rather than the date on which the trade was entered. This policy was also applied retrospectively.

## Notes to the Financial Statements (continued)

The Directors consider that the inclusion of these substantial matching TTCA non-cash assets, and related liabilities, or unsettled trades, does not give a true or fair reflection of the size of the balance sheet of the Company.

The comparable total gross-up of assets and liabilities were the policy not to be changed in 2014 would have been \$46,665,599 represented by \$11,175,426 of client assets held under TTCA and \$35,490,173 of unsettled trades.

The Company also discovered that there were two incorrect disclosures made in the financial statements for the year ended 31 December 2013.

The table below shows the effect of these changes on the prior-year comparatives.

US Dollars	Original 2013	Correction of 2013 disclosure	Corrected Original 2013	Change in accounting treatment	Restated 2013
<b>Assets</b>					
Client securities held under TTCA	23,931,437	-	23,931,437	(23,931,437)	0
Cash at bank and in hand	24,057,398	141,028	24,198,426	-	24,198,426
Client cash held under TCCA	282,811	(141,027)	141,784	-	141,784
Other receivables (unsettled trades)	218,676	-	218,676	(218,676)	0
Other receivables	196,282	(3)	196,279	-	196,279
<b>Liabilities</b>					
Client liabilities (assets and cash) held under TTCA	24,291,897	(218,676)	24,073,221	23,931,437	141,784
Other payables (unsettled trades)	0	218,676	218,676	(218,676)	0
Net change*	-	(2)	-	0	-

\* Small rounding adjustments.