

**CITYPOINT TRADING LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

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**CITYPOINT TRADING LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	Salam Al-Aswad Nicolas John Lewis Steven Blackbourn
<b>COMPANY SECRETARY</b>	Cornhill Secretaries Limited
<b>REGISTERED NUMBER</b>	06707165
<b>REGISTERED OFFICE</b>	107 Cheapside London EC2V 6DN
<b>INDEPENDENT AUDITORS</b>	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB

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**CITYPOINT TRADING LIMITED**

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## **CITYPOINT TRADING LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

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#### **INTRODUCTION**

Citypoint Trading Limited is a company registered in England and Wales under company number 06707165 and is authorised and regulated by the FCA as an investment firm under FRN 606110. During the year, the company has continued to generate revenue through providing its customers with access to trading in contracts for difference in forex, equities, commodities and indices on an execution only basis, both directly and through an existing introductory relationship.

The board continues to develop, strengthen and embed its governance structures and arrangements as a regulated company. As such it maintains robust risk management procedures in proportion to the nature, scale and complexity of its business. Accordingly, the company has continued to focus on delivering and maintaining its business in a professional manner and with effective practices using experienced regulatory resources, whilst developing the commercial potential of its position as a regulated company.

The company continues to implement and develop a sustainable business model to support its future plans and ambitions allowing it to successfully conduct and grow its business in the UK as a regulated firm.

#### **BUSINESS REVIEW**

During the year the company generated its revenue from the turnover of its client trading activity via an introductory agreement.

Following the year end the company offers CFD trading platforms to professional clients around the world to enable them to trade forex, equities, commodities and indices on an execution-only basis. The firm generates its remuneration from the turnover of its clients trading activity via an agreement with the liquidity providers.

Revenue generated from operations was £2.2 million (£1.5 million in 2014) an increase of 45.5% on the previous year.

This was largely due to the exceptional customer service provided, directly targeted to attract more professional traders, coupled with the company's ability to retain strong relationships with its existing clients, who have been actively trading throughout the year.

The firm has also improved its board, executive and operational leadership structures with the appointment of an experienced COO during 2015.

The return on assets, calculated as net profit divided by net assets, was 69.5% (2014 – 76.8%).

The directors have set targets for revenue growth and an increased return on assets as the key performance indicator for the next financial year. The management information is generated by the senior management and regularly reviewed by the directors at the quarterly board meetings.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risk the firm faces is fluctuation in market conditions resulting in clients electing not to trade.

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## CITYPOINT TRADING LIMITED

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### STRATEGIC REPORT (continued)

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#### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Citypoint Trading Limited also has credit risk with its liquidity provider. The firm holds "margin" with the liquidity provider, and receives its revenue in the form of a profit share agreement. The risk to the company is the liquidity provider defaulting on its payments, going into insolvency, or simply ceasing to provide markets on the firm's trading platform.

Citypoint Trading Limited seeks to identify the key risks that impact on the company's objectives in order to manage those risks effectively, for example, by reducing the probability of failure, or reducing the impact of such failure.

#### FUTURE DEVELOPMENTS

The new financial year has started particularly robustly and the firm is maintaining a similar level of turnover to the previous year in line with its forecast. The company shall continue to invest in building the firm's infrastructure and explore opportunities available to it.

In view of the strong start to 2016 the board remains confident of delivering further growth in 2016 and beyond.

This report was approved by the board on 22 April 2016 and signed on its behalf.



**Salam Al-Aswad**  
Director

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## CITYPOINT TRADING LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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The directors present their report and the financial statements for the year ended 31 December 2015.

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,198,844 (2014 - £916,491).

Since the year end, the company has declared dividends of £300,000.

#### DIRECTORS

The directors who served during the year and their interests in the company's issued share capital were:

	Ordinary shares of £1 each	
	31/12/15	1/1/15
Salam Al-Aswad	144,938	144,938
Nicolas John Lewis (appointed 1 July 2015)	-	-
Steven Blackburn	-	-
Mahdi Kanbar-Agha (resigned 30 June 2015)	144,938	144,938

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**CITYPOINT TRADING LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**DISCLOSURE OF INFORMATION TO AUDITORS**

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

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

This report was approved by the board on 22 April 2016 and signed on its behalf.



**Salam Al-Aswad**  
Director

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## **CITYPOINT TRADING LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CITYPOINT TRADING LIMITED**

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We have audited the financial statements of Citypoint Trading Limited for the year ended 31 December 2015, set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

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

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 year for which the financial statements are prepared is consistent with the financial statements.



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CITYPOINT TRADING LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CITYPOINT TRADING LIMITED

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



Kelly Sheppard (Senior Statutory Auditor)

for and on behalf of

**Moore Stephens LLP, Statutory Auditor**

150 Aldersgate Street

London

EC1A 4AB

Date:

25 April 2016.

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**CITYPOINT TRADING LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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	Note	2015 £	2014 £
Turnover	4	2,185,084	1,502,074
Cost of sales		(15,516)	(51,617)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>2,169,568</b>	<b>1,450,457</b>
Administrative expenses		(673,631)	(282,589)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>1,495,937</b>	<b>1,167,868</b>
Interest receivable and similar income	9	17,039	504
Interest payable and similar charges	10	(13)	-
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>1,512,963</b>	<b>1,168,372</b>
Taxation on profit on ordinary activities	11	(314,119)	(251,881)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>1,198,844</b>	<b>916,491</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income for the year</b>		<b>1,198,844</b>	<b>916,491</b>
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 23 form part of these financial statements.

**CITYPOINT TRADING LIMITED**  
**REGISTERED NUMBER:06707165**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Intangible assets	13	42,503	-
Tangible assets	14	6,277	29,125
		<u>48,780</u>	<u>29,125</u>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	15	878,228	545,040
Cash at bank and in hand	16	1,278,624	915,611
		<u>2,156,852</u>	<u>1,460,651</u>
Creditors: Amounts falling due within one year	17	(479,083)	(295,852)
		<u>1,677,769</u>	<u>1,164,799</u>
<b>Net current assets</b>			
		<u>1,726,549</u>	<u>1,193,924</u>
<b>Total assets less current liabilities</b>			
		<u>1,726,549</u>	<u>1,193,924</u>
<b>Net assets</b>			
		<u>1,726,549</u>	<u>1,193,924</u>
<b>Capital and reserves</b>			
Called up share capital	19	289,876	289,876
Capital redemption reserve		350,000	350,000
Profit and loss account		1,086,673	554,048
		<u>1,726,549</u>	<u>1,193,924</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



22 April 2016

**Salam Al-Aswad**  
Director

The notes on pages 11 to 23 form part of these financial statements.

**CITYPOINT TRADING LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 January 2015	289,876	350,000	554,048	1,193,924
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,198,844	1,198,844
<b>Transactions with owners</b>				
Dividends: Equity capital	-	-	(666,219)	(666,219)
<b>Total transactions with owners</b>	-	-	(666,219)	(666,219)
<b>At 31 December 2015</b>	<b>289,876</b>	<b>350,000</b>	<b>1,086,673</b>	<b>1,726,549</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 January 2014	639,876	-	(12,443)	627,433
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	916,491	916,491
<b>Transactions with owners</b>				
Purchase of own shares	-	-	(350,000)	(350,000)
Shares redeemed during the year	(350,000)	-	-	(350,000)
Transfer on purchase of own shares	-	350,000	-	350,000
<b>Total transactions with owners</b>	<b>(350,000)</b>	<b>350,000</b>	<b>(350,000)</b>	<b>(350,000)</b>
<b>At 31 December 2014</b>	<b>289,876</b>	<b>350,000</b>	<b>554,048</b>	<b>1,193,924</b>

The notes on pages 11 to 23 form part of these financial statements.

**CITYPOINT TRADING LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 £	2014 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	1,198,844	916,491
<b>Adjustments for:</b>		
Amortisation of intangibles	5,744	-
Depreciation of tangibles	6,315	12,430
Loss/ (gain) on disposal of tangibles	6,518	(18,106)
Interest paid	13	-
Interest received	(17,039)	(504)
Taxation	314,119	251,881
Increase in debtors	(333,187)	(240,165)
Increase in creditors	263,092	32,611
Corporation tax	(393,981)	(19,882)
	<u>1,050,438</u>	<u>934,756</u>
<b>Net cash generated from operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(48,247)	-
Purchase of tangible fixed assets	(5,985)	(32,320)
Sale of tangible fixed assets	16,000	29,641
Interest received	17,039	504
	<u>(21,193)</u>	<u>(2,175)</u>
<b>Net cash from investing activities</b>		
<b>Cash flows from financing activities</b>		
Purchase of ordinary shares	-	(350,000)
Dividends paid	(666,219)	-
Interest paid	(13)	-
	<u>(666,232)</u>	<u>(350,000)</u>
<b>Net cash used in financing activities</b>		
<b>Net increase in cash and cash equivalents</b>	<u>363,013</u>	<u>582,581</u>
Cash and cash equivalents at beginning of year	915,611	333,030
	<u>1,278,624</u>	<u>915,611</u>
<b>Cash and cash equivalents at the end of year</b>		
Cash at bank and in hand	<u><u>1,278,624</u></u>	<u><u>915,611</u></u>

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## **CITYPOINT TRADING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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#### **1. ACCOUNTING POLICIES**

##### **1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see notes 2 and 23).

The following principal accounting policies have been applied:

##### **1.2 REVENUE RECOGNITION**

Revenue represents profits derived from the company's principal activity and is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding value added tax. The company's principal activity continues to be the trading of financial products. Income is recognised as it is earned on the execution of trades.

##### **1.3 INTANGIBLE ASSETS**

Website development and software costs assets are initially recognised at cost. After recognition, under the cost model, these assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is provided at rates calculated to write off the cost of the asset over the estimated useful life which is considered reasonable by the directors of the company.

Amortisation is provided at the following rates:

Software Costs	-	33% straight line
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Amortisation and impairment of intangible assets are recognised within administrative expenses.

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**CITYPOINT TRADING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**1. ACCOUNTING POLICIES (continued)**

**1.4 TANGIBLE FIXED ASSETS**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Motor vehicles	-	33% straight line
Fixtures & fittings	-	33% straight line
Office equipment	-	33% straight line
Computer equipment	-	33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the statement of comprehensive income.

**1.5 OPERATING LEASES**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

**1.6 DEBTORS**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**1.7 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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## **CITYPOINT TRADING LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

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#### **1. ACCOUNTING POLICIES (continued)**

##### **1.8 FINANCIAL INSTRUMENTS**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the year end date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **1.9 CREDITORS**

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.



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## CITYPOINT TRADING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.10 FOREIGN CURRENCY TRANSLATION

The company's functional and presentational currency is Pound Sterling GBP.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within administrative expenses.

##### 1.11 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

##### 1.12 INTEREST INCOME

Interest income is recognised in the income statement using the effective interest method.

##### 1.13 TAXATION

Tax is recognised in the income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax is the tax expected to be payable or recoverable on timing differences between taxable profits and the total comprehensive income as reported in the financial statements.

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## CITYPOINT TRADING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Due to the simplicity of the company's transaction streams and year end financial position, the directors consider there to be no critical judgements, estimates or assumptions in the preparation of these financial statements.

#### 3. FINANCIAL RISK MANAGEMENT

Citypoint's Risk Management Framework identifies risks within four risk categories:

1. Market Risk
2. Credit Risk
3. Operational Risk; and
4. Business Risk

The risks within each area are analysed, mitigating factors assessed and relevant controls identified. The risks within each category are rated according to their potential impact and probability. Action is taken by the board to manage key risks, as appropriate, to safeguard the company, its clients and the liquidity providers.

The Risk Management Framework is regularly updated and is reviewed by the board, with particular focus on those risks rated as 'High'. The Risk Management Framework is used to identify the risks to be considered in the Internal Capital Adequacy Assessment Process (ICAAP).

##### **Compliance**

The Compliance Oversight Function monitors the regulatory requirements to which the firm is subject, including those imposed by the FCA. The Compliance Oversight Officer reports directly to the Chief Executive Officer.

##### **Market Risk**

Market risk is the firm's exposure to movements in the value of the financial instruments held by the firm. The company does not hold proprietary positions. Other potential exposures are non-trading book exposures to foreign currency assets or liabilities held on the statement of financial position. As at the year end, the firm held \$2,266k in foreign assets. Under a 5% movement in the exchange rate between GBP and USD, this would represent a difference of £72k. A 10% movement would be equal to a change of £139k in the value of assets.

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## CITYPOINT TRADING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 3. FINANCIAL RISK MANAGEMENT (continued)

##### **Credit Risk**

Credit risk is the risk that the firm's clients and counterparties fail to pay monies due. Areas of potential material credit risk consist of cash and accounts receivables. These risks are mitigated through robust risk management control process. Cash is held with global financial institutions and so the credit risk for these balances is considered to be limited. For accounts receivable, the firm undertakes due diligence for all new counterparties, the majority of whom are other regulated institutions and so again the credit risk associated with these balances is considered to be limited.

##### **Operational Risk**

Operational Risk is the risk of financial loss resulting from inadequate or failed internal processes. As such, operational risk spans a wide and diverse range of potential risks, including: loss of key staff, IT system failures, loss of data, telecommunications failures, loss of power supply, failure or disruption of a critical business process, disaster occurrences, natural or otherwise.

Operational risks are identified, mitigated and/or managed by senior management who are alert to the risks faced by the area of business they are responsible for eg. trading, operations, finance, compliance and anti-money laundering. Our staffing levels also provide a level of contingency cover in all critical business areas.

##### **Business Risk**

By its nature a brokerage firm has a higher business risk than some other types of businesses characterised by intense competition, rapid technological change, high market volatility and a continually evolving regulatory framework.

Citypoint Trading Limited's main strategy for managing and mitigating these risks is through active management of client and counterparty relationships and by keeping abreast of all relevant regulatory reforms affecting the operation of the CFD markets.

##### **Capital Management**

The firm's capital resources at the year-end totaled £1,726k; consisting of share capital of £290k plus retained reserves of £1,436k. The firm is required to have a minimum capital of £92k (€125,000 at 1.3605). We are pleased to report that the firms currently has a surplus of £1,634k.

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**CITYPOINT TRADING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**4. ANALYSIS OF TURNOVER**

	2015 £	2014 £
Rendering of services	<u>2,185,084</u>	<u>1,502,074</u>

All turnover arose within the UK.

**5. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2015 £	2014 £
Amortisation of intangible fixed assets	5,744	-
Operating lease rentals	69,678	41,280
Depreciation of tangible fixed assets	6,315	12,430
Reversal of impairment of fixed asset	-	(11,250)
Loss/ (profit) on disposal of tangible fixed assets	6,518	(18,106)
Exchange differences	<u>(70,543)</u>	<u>(21,942)</u>

**6. AUDITORS' REMUNERATION**

	2015 £	2014 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>14,000</u>	<u>11,250</u>
	14,000	11,250
<b>Fees payable to the Company's auditor in respect of:</b>		
Taxation services	12,408	17,850
All other services	19,247	-
	<u>31,655</u>	<u>17,850</u>

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CITYPOINT TRADING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015

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**7. EMPLOYEES**

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

	2015 £	2014 £
Wages and salaries	344,327	131,000
Social security costs	41,317	14,258
	<u>385,644</u>	<u>145,258</u>

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

	2015 No.	2014 No.
Admin Staff	<u>4</u>	<u>2</u>

**8. DIRECTORS' REMUNERATION**

	2015 £	2014 £
Directors' emoluments	<u>220,320</u>	<u>103,563</u>

There were no key management personnel other than the directors in 2015 and 2014.

**9. INTEREST RECEIVABLE**

	2015 £	2014 £
Bank interest receivable	<u>17,039</u>	<u>504</u>

**10. INTEREST PAYABLE AND SIMILAR CHARGES**

	2015 £	2014 £
Bank interest payable	<u>13</u>	<u>-</u>

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**CITYPOINT TRADING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**11. TAXATION**

	2015 £	2014 £
<b>Corporation tax</b>		
Current tax on profits for the year	304,335	251,881
Under provision in prior year	9,784	-
<b>Total current tax</b>	<u>314,119</u>	<u>251,881</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	1,512,963	1,168,372
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	306,375	251,200
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,397	(1,688)
Capital allowances for year in excess of depreciation	(8,437)	2,369
Under provision in prior year	9,784	-
<b>Total tax charge for the year</b>	<u>314,119</u>	<u>251,881</u>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

There were no factors that may affect future tax charges.

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**CITYPOINT TRADING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**12. DIVIDENDS**

	2015 £	2014 £
A dividend of £2.30 was paid for each Ordinary share held	<u>666,219</u>	<u>-</u>
After the year end the company declared a dividend of £300,000.		

**13. INTANGIBLE ASSETS**

	Software costs £
<b>Cost</b>	
At 1 January 2015	27,645
Additions	48,247
	<u>75,892</u>
<b>At 31 December 2015</b>	
<b>Amortisation</b>	
At 1 January 2015	27,645
Charge for the year	5,744
	<u>33,389</u>
<b>At 31 December 2015</b>	
<b>Net book value</b>	
<b>At 31 December 2015</b>	<u>42,503</u>
<i>At 31 December 2014</i>	<u>-</u>

**CITYPOINT TRADING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**14. TANGIBLE FIXED ASSETS**

	Motor vehicles £	Fixtures & fittings £	Office equipment £	Computer equipment £	Total £
<b>Cost</b>					
At 1 January 2015	31,179	128	13,731	1,209	46,247
Additions	-	-	5,985	-	5,985
Disposals	(31,179)	-	-	-	(31,179)
	<u>-</u>	<u>128</u>	<u>19,716</u>	<u>1,209</u>	<u>21,053</u>
<b>At 31 December 2015</b>					
<b>Depreciation</b>					
At 1 January 2015	3,464	103	13,194	361	17,122
Charge owned for the period	5,197	25	1,093	-	6,315
Disposals	(8,661)	-	-	-	(8,661)
	<u>-</u>	<u>128</u>	<u>14,287</u>	<u>361</u>	<u>14,776</u>
<b>At 31 December 2015</b>					
	<u>-</u>	<u>-</u>	<u>5,429</u>	<u>848</u>	<u>6,277</u>
<b>At 31 December 2015</b>					
<i>At 31 December 2014</i>	<u>27,715</u>	<u>25</u>	<u>537</u>	<u>848</u>	<u>29,125</u>

**15. DEBTORS**

	2015 £	2014 £
<b>Due within one year</b>		
Other debtors	558,612	5,105
Prepayments and accrued income	319,616	539,935
	<u>878,228</u>	<u>545,040</u>

Other debtors with a carrying amount of £169,175 have been pledged as margin on open trades. The company holds collateral of the same amount against this balance. At the year end there were no open trades.



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**CITYPOINT TRADING LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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**16. CASH AND CASH EQUIVALENTS**

	2015 £	2014 £
Cash at bank and in hand	<u>1,278,624</u>	<u>915,611</u>

**17. CREDITORS: Amounts falling due within one year**

	2015 £	2014 £
Trade creditors	33,065	7,117
Corporation tax	162,235	242,097
Taxation and social security	19,030	5,960
Other creditors	172,185	11,745
Accruals and deferred income	92,568	28,933
	<u>479,083</u>	<u>295,852</u>

**18. FINANCIAL INSTRUMENTS**

	2015 £	2014 £
<b>Financial assets</b>		
Financial assets that are cash, loans and receivables measured at amortised cost	2,129,231	1,458,828
	<u>2,129,231</u>	<u>1,458,828</u>
	2015 £	2014 £
<b>Financial liabilities</b>		
Financial liabilities measure at amortised cost	(297,818)	(47,795)
	<u>(297,818)</u>	<u>(47,795)</u>

Financial assets measured at amortised cost is comprised of cash, other debtors and accrued income, at the year end.

Financial liabilities measured at amortised cost is comprised of trade creditors, accruals and other creditors at the year end.

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CITYPOINT TRADING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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19. SHARE CAPITAL

	2015 £	2014 £
<b>Allotted, called up and fully paid</b>		
289,876 Ordinary shares of £1 each	<u>289,876</u>	<u>289,876</u>

20. OPERATING LEASE COMMITMENTS

At 31 December 2015 the company had total commitments under non-cancellable operating leases as follows:

	2015 £	2014 £
Within 1 year	<u>174,852</u>	<u>10,320</u>

21. RELATED PARTY TRANSACTIONS

Steven Blackburn, a non executive director, received remuneration for consultancy services of £18,103 (2014 - £15,737). At the year end £1,398 was owing.

Salam Al-Aswad, a director of the company, is also the sole director of Citypoint Bullion Limited. Citypoint Bullion Limited provided services totaling £91,500 (2014 - £NIL) to the company during the year. There was a balance of £9,000 (2014 - £NIL) included in trade creditors at the year end.

During the year the company also sold a car to Salam Al-Aswad for £16,000 (2014 - £NIL) resulting in a loss of £6,518 (2014 - £NIL).

Included within other debtors is a loan of £600 (2014 - £NIL) to Mahdi Kanbar-Agha, a director of the company during the year. This amount is interest free and has no fixed date of repayment.

22. CONTROLLING PARTY

There is no ultimate controlling party.

23. TRANSITION TO FRS 102

These financial statements for the year ended 31 December 2015 are the company's first financial statements that comply with FRS102. The company's date of transition to FRS 102 is 1 January 2014. The company's last financial statements prepared in accordance with previous UK GAAP were for the year ended 31 December 2014.

The change to FRS102 has had no effect to the reported profit for 2014 and there was no change to equity as a result of this transition.

### Pillar 3 Disclosure

**These statements are not part of the audited financial statements and therefore have not been subject to review or audit by the firm's auditors**

#### Overview

The Capital Requirements Directive (CRD) establishes a regulatory capital framework across Europe governing the amount and nature of capital investment firms must maintain. In the United Kingdom, the CRD has been implemented by the Financial Conduct Authority (FCA) in its regulations through the General Prudential Sourcebook (GENPRU) and Prudential Sourcebook for Investment Firms (IFPRU)

The framework consists of three 'Pillars':

- Pillar 1: Minimum capital requirements
- Pillar 2: Supervisory review process: the need to assess whether the capital held under Pillar 1 is sufficient to meet the additional risks not covered by Pillar 1
- Pillar 3: Disclosure requirements allowing market participants to assess information on a firms' risks, capital and risk management procedures

The Financial Conduct Authority outlines the minimum disclosure requirements. The information below satisfies Citypoint's Pillar 3 requirement.

#### Frequency

This report covers the period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2015. The Firm will be making a Pillar 3 disclosure annually, as soon as reasonably practicable following completion of its financial statements. However, Citypoint will update its Pillar 3 disclosure more frequently than annually if material changes to its business model have occurred that would affect the calculations of its regulatory capital requirement. This disclosure is at the Accounting Reference Date (ARD) which is currently 31<sup>st</sup> December 2015.

#### Media and Location

This disclosure will be attached as a document to the Financial Statement.

#### Material Disclosure

The firm is mindful of the FCA's comments regarding confidentiality and of the comment that both qualitative and quantitative data must be disclosed. As such the Firm's policy is to disclose information required under the FCA rules but to treat further information as proprietary if sharing that information with the public would undermine its competitive position.

Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investment therein less valuable. Further, the firm will regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality.

In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

#### Scope

Citypoint Trading Limited is authorised and regulated by the FCA under FRN 606110 as an investment firm. The Firm's activities give it the categorisation of a "Limited License" and a IFPRU €125k firm. The firm acts as a Matched Principle Broker as well as an Introducing Agent on behalf of clients and, as such, has no trading book exposure. The firm's key risks have been identified as market, credit, business or operational risks. The firm has assessed these risks in its ICAAP and has set out appropriate actions to manage them.

#### Solo Basis of Disclosure

Citypoint is neither a parent undertaking, nor a subsidiary undertaking and the disclosures made within this report are made on an individual basis.

## **Risk Management Framework**

Citypoint's Risk Management Framework identifies risks within four risk categories:

1. Market Risk
2. Credit Risk
3. Operational Risk; and
4. Business Risk

The risks within each area are analysed, mitigating factors assessed and relevant controls identified. The risks within each category are rated according to their potential impact and probability and assigned a risk rating. Action is taken by the Board to manage key risks, as appropriate, to safeguard Citypoint, its liquidity providers and its clients.

The Risk Management Framework is regularly updated and is reviewed at least annually by the Board, with particular focus on those risks rated as 'High'. The Risk Management Framework is used to identify the risks to be considered in the Internal Capital Adequacy Assessment Process (ICAAP).

## **Compliance**

The Compliance Oversight Function monitors for compliance by Citypoint with various regulatory requirements to which the firm is subject, including those imposed by the FCA. The Compliance Oversight Officer reports directly to the Chief Executive Officer.

## **Internal Audit**

Due to the nature, scale and complexity of its business, Citypoint does not have a dedicated Internal Audit Function, but the Board has delegated much of the task of monitoring the appropriateness of its systems and controls to the Compliance Oversight Officer.

## **Market Risk**

Market risk is the vulnerability of firms to movements in the value of financial instruments either by themselves, or by their clients. Citypoint does not hold proprietary positions. Other potential exposures are non-trading book exposures to foreign currency assets or liabilities held on our balance sheet.

## **Credit Risk**

Credit Risk is the risk that a firm's clients and counterparties fail to pay monies due to them. As a Matched Principal Broker Citypoint faces credit risk from its client. The firm also has credit risk from liquidity providers, where the risk is that fees due cannot be collected or a default by the liquidity provider. These risks are mitigated through robust risk management control. There is also credit risk from the firm's bankers, however Citypoint minimises this risk by only using top tier UK banks to hold its cash.

## **Operational Risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. As such, operational risk spans a wide and diverse range of potential risks, including: loss of key staff, IT system failures, loss of data, telecommunications failures, loss of power supply, failure or disruption of a critical business process, disaster occurrences, natural or otherwise.

Operational risks are identified, mitigated and/or managed at Citypoint by senior management who are alert to the risks faced by the area of business they are responsible for eg. trading, operations, finance, compliance and anti-money laundering. Our staffing levels also provide a level of contingency cover in all critical business areas. The Firm has contingency planning and disaster recovery procedures and these are regularly reviewed and tested.

We also aim to keep all aspects of our operations as simple as possible.

## **Business Risk**

By its nature a brokerage firm has a higher business risk than some other types of businesses characterised by intense competition, rapid technological change, high market volatility and a continually evolving regulatory framework.

Citypoint's main strategy for managing and mitigating these risks is through active management of client and counterparty relationships and by keeping abreast of all relevant regulatory reforms affecting the operation of the CFD markets.

### **Capital Adequacy**

In compliance with IFPRU 3, 4, 6 & 7 Citypoint have forecasts in place to ensure that they will continue to meet their regulatory capital requirement on an ongoing basis.

Citypoint is an IFPRU €125,000 Limited Licence firm and, as such, is not required to calculate their operational risk capital requirement under Pillar 1 in accordance with BIPRU 6. Instead they are required to calculate a Fixed Overhead requirement in accordance with GENPRU 2.1.53R.

The Credit Risk Capital Requirement is made up of the Credit Risk Capital Component and the Counterparty Risk Capital Component.

The Credit Risk Capital Component is calculated in accordance with BIPRU 3.5 – The Simplified Method. The company makes an 8% adjustment on all fixed assets, debtors and prepayments and a 1.6% adjustment on all bank balances in accordance with BIPRU 3.4.127 – BIPRU 3.4.133, resulting in a Credit Risk Capital Component of £1,531,533

The Counterparty Risk Capital Component is calculated in accordance with BIPRU 14.2.1, and is zero.

The company's Market Risk Capital Component is made up of its Foreign Currency PRR, Equity PRR Risk, and Commodity PRR Risk. The company's Foreign Currency PRR is calculated on its trading book debtors and creditors which are denominated in foreign currency and also its bank accounts, some of which are in the same currencies. The Foreign Currency PRR is calculated in accordance with BIPRU 7.5 as 8% of the total net long or short position, and totals zero. The company's Equity PRR has been calculated as zero and its Interest Rate PRR is also zero, with the Commodity PRR at zero. This gives a total Market Risk Capital Component of zero.

### **Internal Capital Adequacy Assessment Process (ICAAP)**

The ICAAP formally records the assessment as to whether a firm's capital and liquidity resources are sufficient to cover the risks identified in the Risk Management Framework. Citypoint's ICAAP is updated and formally approved by the Board on at least an annual basis.

### **Regulatory Capital**

The firm is a limited liability company and its capital arrangements are established in its Articles and Associations.

The main features of the Firm's capital resources for the regulatory purposes are as follows:

Capital Item	£'000
Tier 1 Share Capital	290
Tier 1 Reserves	1,487
Tier 1 Capital Resources	1,777
CRR - Capital Resource Requirement (€125k @ 1.2750)	92
Surplus of Capital Resource	1,685

Our firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency and credit risk from default from a client or liquidity provider and revenue fees receivable from liquidity providers. The firm follows the standardised approach to market risk and the simplified standard approach to credit risk. The firm's fixed overhead requirement is disclosed as a proxy for Pillar 1 Operational Risk Capital calculation, Base Capital requirement.

As stated above the firm is a limited license firm and as such its capital requirements are the greater of:

- Its base capital requirement of €125,000; or
- The sum of its market and credit risk requirements or;
- Its fixed overhead requirement

We have not identified credit risk exposure classes or minimum capital requirements for material risk as we believe they are immaterial.

### **Remuneration**

BIPRU 11.5.18R requires that a firm makes a disclosure of details regarding its remuneration policy.

The firm classifies those staff whose professional activities have a material impact on its risk profile as Code Staff in line with the FCA's Remuneration Code. The firm classified 6 individuals as Code Staff in 2015. The aggregate remuneration paid to the Firm's Code Staff during the financial year ending 31<sup>st</sup> December 2015 was £250,000. Given the relatively small size of the firm, remuneration policy for all code staff is set by the board. The board review remuneration for code staff based upon individual, both financial and non-financial criteria, and overall firm performance. Individual performance is also reviewed over an extended period to ensure the long term objectives of the staff and the firm are not in conflict. The overall level of remuneration is set in the form of a base salary and a bonus. The resources available for bonuses are directly linked to the performance of the firm