

CITYPOINT TRADING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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CITYPOINT TRADING LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|---|
| Directors | Salam Al-Aswad Mahdi Kanbar-Agha Steven Blackburn |
| Company secretary | Cornhill Secretaries Limited |
| Registered number | 06707165 |
| Registered office | 107 Cheapside London EC2V 6DN |
| Trading address | 107 Cheapside London EC2V 6DN |
| Independent auditors | Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB |

CITYPOINT TRADING LIMITED

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CITYPOINT TRADING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 share repurchases

The profit for the year, after taxation, amounted to £916,491 (2013 - £21,697).

Two directors held 639,876 shares equally at the start of the period. Following a share repurchase in the period of 350,000 shares they held 289,876 shares equally.

The directors recommend a dividend of 231.5 pence per share which will be paid to shareholders in the first quarter of 2015.

Directors

The directors who served during the year were:

Salam Al-Aswad
Mahdi Kanbar-Agha
Steven Blackburn

CITYPOINT TRADING LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

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.

Auditors

The auditors, Moore Stephens LLP, were appointed during the year.

This report was approved by the board on **24th April 2015** and signed on its behalf.



Salam Al-Aswad
Director

CITYPOINT TRADING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Introduction

During the reporting period Citypoint Trading Limited ceased to act as an appointed representative of Abshire Smith Global Limited as it became authorised by the Financial Conduct Authority (FCA) in its own right with effect from 31 July 2014.

Citypoint Trading Limited is a company registered in England and Wales under company number 6707165 and is authorised and regulated by the FCA as an investment firm under FRN 606110. Since authorisation, the firm has continued a new relationship with Abshire Smith Group Limited (FRN 590890) as an introducing broker.

The Board continues to adapt, strengthen and embed its governance structures and arrangements as a directly regulated firm. As such the Board remains cognisant of the need to maintain robust and proportionate oversight and risk management in light of the nature, scale and complexity of its business, services and customer circumstances. Accordingly, the firm 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 UK incorporated and regulated firm.

Citypoint Trading Limited has continued to provide and support its clients with online access to trading in contracts for difference in Forex, Equities, Commodities and Indices through its relationship arrangements with Abshire Smith Global Limited (ASG Ltd).

Citypoint Trading Limited 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 on a global basis.

Business review

Citypoint Trading Limited has made good progress this year maintaining and supporting a commercial customer base in a highly competitive environment.

The firm was authorised by the Financial Conduct Authority with effect from 31 July 2014, being a big step forward in the development and commercial strategy of the firm.

Citypoint Trading Limited 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 revenue principally from the turnover of client trading activity introduced through the connected principal (ASG Ltd), including financing overnight positions held by related clients of the principal. The firm does not charge any customers commission on trades undertaken.

Revenue generated from operations was £1.5 million (£0.5 million in 2013) an increase of 200% on the previous year.

This was largely due to the higher volatility in oil and gold prices that resulted in increased volumes of customer trading activity.

The Board declared a dividend of 231.5 pence per share which will be paid to shareholders in the first quarter of 2015.

The return on assets, calculated as net profit divided by net assets was 63.4% (2013 - 3.5%).

CITYPOINT TRADING LIMITED

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014**

Principal risks and uncertainties

The principal risks the firm faces is with its customers deciding not to trade through the services of Citypoint Trading Limited or rapid and adverse changes in market conditions resulting in customers deciding not to trade.

The new financial year has started particularly robustly and is maintaining a similar level of turnover to the previous year, which is in line with our internal forecast. The firm shall continue to invest in building the firm's operational and risk infrastructures and to explore the enhanced commercial opportunities available as a directly authorised firm in the UK.

In view of the strong start to 2015 the Board remains confident of delivering further strategic growth in 2015 and beyond.

This report was approved by the board on **24th April 2015** and signed on its behalf.


Salam Al-Aswad
Director

CITYPOINT TRADING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CITYPOINT TRADING LIMITED

We have audited the financial statements of Citypoint Trading Limited for the year ended 31 December 2014, set out on pages 7 to 17. The prior year comparatives are unaudited as the company met the audit exemption thresholds in the prior year. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. As 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 2014 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.

CITYPOINT TRADING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CITYPOINT TRADING LIMITED

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

Kelly Sheppard (Senior statutory auditor)

for and on behalf of

Moore Stephens LLP (Statutory Auditor)

150 Aldersgate Street
London
EC1A 4AB

Date: *27 April 2015*

CITYPOINT TRADING LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Note | 2014 £ | <i>Unaudited</i> 2013 £ |
|--|------|------------------|-------------------------------|
| TURNOVER | 1 | 1,502,074 | 535,281 |
| Cost of sales | | (51,617) | (105,572) |
| GROSS PROFIT | | 1,450,457 | 429,709 |
| Administrative expenses | | (282,589) | (398,386) |
| OPERATING PROFIT | 3 | 1,167,868 | 31,323 |
| Interest receivable and similar income | | 504 | 471 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,168,372 | 31,794 |
| Tax on profit on ordinary activities | 6 | (251,881) | (10,097) |
| PROFIT FOR THE FINANCIAL YEAR | 12' | 916,491 | 21,697 |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 10 to 17 form part of these financial statements.

CITYPOINT TRADING LIMITED
REGISTERED NUMBER: 06707165

BALANCE SHEET
AS AT 31 DECEMBER 2014

| | Note | £ | 2014 £ | £ | Unaudited 2013 £ |
|---|------|------------------|------------------|----------------|------------------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 8 | | 29,125 | | 20,770 |
| CURRENT ASSETS | | | | | |
| Debtors | 9 | 545,040 | | 304,875 | |
| Cash at bank and in hand | | 915,611 | | 333,030 | |
| | | <u>1,460,651</u> | | <u>637,905</u> | |
| CREDITORS: amounts falling due within one year | 10 | (295,852) | | (31,242) | |
| NET CURRENT ASSETS | | | <u>1,164,799</u> | | <u>606,663</u> |
| NET ASSETS | | | <u>1,193,924</u> | | <u>627,433</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 11 | | 289,876 | | 639,876 |
| Capital redemption reserve | 12 | | 350,000 | | - |
| Profit and loss account | 12 | | 554,048 | | (12,443) |
| SHAREHOLDERS' FUNDS | 13 | | <u>1,193,924</u> | | <u>627,433</u> |

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



Salam Al-Aswad
Director

24 April 2015

The notes on pages 10 to 17 form part of these financial statements.

CITYPOINT TRADING LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Note | 2014 £ | <i>Unaudited</i> 2013 £ |
|---|------|----------------|-------------------------------|
| Net cash flow from operating activities | 14 | 954,638 | 75,522 |
| Returns on investments and servicing of finance | 15 | 504 | 471 |
| Taxation | | (19,882) | - |
| Capital expenditure and financial investment | 15 | (2,679) | (13,521) |
| CASH INFLOW BEFORE FINANCING | | 932,581 | 62,472 |
| Financing | 15 | (350,000) | 95,402 |
| INCREASE IN CASH IN THE YEAR | | 582,581 | 157,874 |

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | 2014 £ | <i>Unaudited</i> 2013 £ |
|---|----------------|-------------------------------|
| Increase in cash in the year | 582,581 | 157,874 |
| MOVEMENT IN NET DEBT IN THE YEAR | 582,581 | 157,874 |
| Net funds at 1 January 2014 | 333,030 | 175,156 |
| NET FUNDS AT 31 DECEMBER 2014 | 915,611 | 333,030 |

The notes on pages 10 to 17 form part of these financial statements.

CITYPOINT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 applicable accounting standards, United Kingdom Generally Accepted Accounting Practice.

1.2 Turnover

Turnover represents profits derived from the company's principal activity. The principal activity continues to be commission on the trading of financial products. Income is recognised as it is earned on the execution of trades.

1.3 Intangible fixed assets and amortisation

Website development assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost of the asset over the period of two years which is considered reasonable by the directors of the company.

Amortisation is provided at the following rates:

| | | |
|-------------------------|---|-------------------|
| Development expenditure | - | 50% straight line |
|-------------------------|---|-------------------|

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|---------------------|---|---------------------|
| Motor vehicles | - | 33.3% straight line |
| Fixtures & fittings | - | 33.3% straight line |
| Office equipment | - | 33.3% straight line |
| Computer equipment | - | 33.3% straight line |

1.5 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.6 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in the taxation computations in the periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

CITYPOINT TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES (continued)

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

2. TURNOVER

All turnover arose outside the United Kingdom in the current and prior year.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

| | 2014 £ | 2013 £ |
|---|-----------------------------|-----------------------------|
| Depreciation of tangible fixed assets: | | |
| - owned by the company | 12,430 | 22,747 |
| Reversal of impairment of fixed assets | (11,250) | - |
| Auditors' remuneration | 11,250 | - |
| Auditors' remuneration - VAT services | 3,000 | - |
| Auditors' remuneration - corporation tax | 14,850 | 10,960 |
| Difference on foreign exchange | (21,942) | 13,309 |
| Profit on disposal of tangible fixed assets | (18,106) | - |
| | <u> </u> | <u> </u> |

4. STAFF COSTS

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

| | 2014 £ | <i>Unaudited</i> 2013 £ |
|--------------------|-----------------------------|-------------------------------|
| Wages and salaries | 145,258 | 147,579 |
| | <u> </u> | <u> </u> |

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

| | 2014 No. | 2013 No. |
|-------------|-----------------------------|-----------------------------|
| Admin Staff | 2 | 3 |
| | <u> </u> | <u> </u> |

CITYPOINT TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

5. DIRECTORS' REMUNERATION

| | 2014 £ | 2013 £ |
|--------------|----------------|---------------|
| Remuneration | <u>103,563</u> | <u>42,941</u> |

6. TAXATION

There was no corporation tax charged on the profits of the prior year, due to those profits being relieved against previous years taxable losses.

| | 2014 £ | <i>Unaudited</i> 2013 £ |
|--|----------------|-------------------------------|
| UK corporation tax charge on profit for the year | <u>251,881</u> | <u>10,097</u> |

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - *higher than*) the standard rate of corporation tax in the UK of 21.5% (2013 - 20%). The differences are explained below:

| | 2014 £ | <i>Unaudited</i> 2013 £ |
|--|------------------|-------------------------------|
| Profit on ordinary activities before tax | <u>1,168,372</u> | <u>31,794</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 20%) | 251,200 | 6,359 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | (1,688) | 3,738 |
| Capital allowances for year in excess of depreciation | 2,369 | - |
| Current tax charge for the year (see note above) | <u>251,881</u> | <u>10,097</u> |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

CITYPOINT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

7. INTANGIBLE FIXED ASSETS

| | Software development £ |
|--|---------------------------|
| Cost | |
| At 1 January 2014 and 31 December 2014 | 27,645 |
| Amortisation | |
| At 1 January 2014 and 31 December 2014 | 27,645 |
| Net book value | |
| At 31 December 2014 | - |
| <i>Unaudited at 31 December 2013</i> | - |

8. TANGIBLE FIXED ASSETS

| | Motor vehicles £ | Fixtures & fittings £ | Office equipment £ | Computer equipment £ | Total £ |
|--------------------------------------|---------------------|--------------------------|-----------------------|-------------------------|------------|
| Cost | | | | | |
| Unaudited at 1 January 2014 | - | 128 | 14,549 | 60,626 | 75,303 |
| Additions | 31,179 | - | 333 | 808 | 32,320 |
| Disposals | - | - | (1,151) | (60,225) | (61,376) |
| At 31 December 2014 | 31,179 | 128 | 13,731 | 1,209 | 46,247 |
| Depreciation | | | | | |
| Unaudited at 1 January 2014 | - | 61 | 14,053 | 40,419 | 54,533 |
| Charge for the year | 3,464 | 42 | 292 | 8,632 | 12,430 |
| On disposals | - | - | (1,151) | (48,690) | (49,841) |
| At 31 December 2014 | 3,464 | 103 | 13,194 | 361 | 17,122 |
| Net book value | | | | | |
| At 31 December 2014 | 27,715 | 25 | 537 | 848 | 29,125 |
| <i>Unaudited at 31 December 2013</i> | - | 67 | 496 | 20,207 | 20,770 |

CITYPOINT TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

9. DEBTORS

| | 2014 £ | <i>Unaudited</i> 2013 £ |
|--------------------------------|----------------|-------------------------------|
| Trade debtors | - | 96 |
| Other debtors | 5,105 | 257,432 |
| Prepayments and accrued income | 539,935 | 47,347 |
| | <u>545,040</u> | <u>304,875</u> |

Included within other debtors is a loan account of £NIL (2013 - £130,001) to Salam Al-Aswad and £NIL (2013 - £500) to Mahdi Kanbar-Agha, whom are both directors. Both amounts are interest free and have no fixed date of repayment.

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

| | 2014 £ | <i>Unaudited</i> 2013 £ |
|------------------------------------|----------------|-------------------------------|
| Trade creditors | 7,117 | 11,208 |
| Corporation tax | 242,097 | 10,097 |
| Other taxation and social security | 5,960 | 3,360 |
| Credit card | 1,528 | - |
| Other creditors | 10,217 | - |
| Accruals and deferred income | 28,933 | 6,577 |
| | <u>295,852</u> | <u>31,242</u> |

11. SHARE CAPITAL

| | 2014 £ | <i>Unaudited</i> 2013 £ |
|---|----------------|-------------------------------|
| Authorised, allotted, called up and fully paid | | |
| 289,876 (2013 - 639,876) Ordinary shares of £1 each | <u>289,876</u> | <u>639,876</u> |

During the year, the company repurchased 350,000 ordinary shares with a nominal value of £1 at par value.

CITYPOINT TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

12. RESERVES

| | Capital redempt'n reserve £ | Profit and loss account £ |
|------------------------------------|--------------------------------------|---------------------------------|
| At 1 January 2014 | | (12,443) |
| Profit for the financial year | | 916,491 |
| Purchase of own shares | | (350,000) |
| Transfer on purchase of own shares | 350,000 | |
| | <u>350,000</u> | <u>554,048</u> |
| At 31 December 2014 | <u>350,000</u> | <u>554,048</u> |

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2014 £ | <i>Unaudited</i> 2013 £ |
|---|------------------|-------------------------------|
| Opening shareholders' funds | 627,433 | 510,334 |
| Profit for the financial year | 916,491 | 21,697 |
| Shares issued during the year | - | 95,402 |
| Shares redeemed/cancelled during the year | (350,000) | - |
| | <u>1,193,924</u> | <u>627,433</u> |
| Closing shareholders' funds | <u>1,193,924</u> | <u>627,433</u> |

14. NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2014 £ | 2013 £ |
|---|----------------|---------------|
| Operating profit | 1,167,868 | 31,323 |
| Depreciation of tangible fixed assets | 12,430 | 22,747 |
| Profit on disposal of tangible fixed assets | (18,106) | - |
| (Increase)/decrease in debtors | (240,165) | 23,954 |
| Increase/(decrease) in creditors | 32,611 | (2,502) |
| | <u>954,638</u> | <u>75,522</u> |
| Net cash inflow from operating activities | <u>954,638</u> | <u>75,522</u> |

15. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

| | 2014 £ | 2013 £ |
|---|------------|------------|
| Returns on investments and servicing of finance | | |
| Interest received | 504 | 471 |
| | <u>504</u> | <u>471</u> |

CITYPOINT TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

15. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

| | 2014 £ | 2013 £ |
|---|------------------|-----------------|
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (32,320) | (13,521) |
| Sale of tangible fixed assets | 29,641 | - |
| Net cash outflow from capital expenditure | <u>(2,679)</u> | <u>(13,521)</u> |
| | 2014 £ | 2013 £ |
| Financing | | |
| Issue of ordinary shares | - | 95,402 |
| Purchase of ordinary shares | (350,000) | - |
| Net cash (outflow)/inflow from financing | <u>(350,000)</u> | <u>95,402</u> |

16. ANALYSIS OF CHANGES IN NET FUNDS

| | 1 January 2014 £ | Cash flow £ | Other non-cash changes £ | 31 December 2014 £ |
|--------------------------|------------------------|----------------|-----------------------------------|--------------------------|
| Cash at bank and in hand | 333,030 | 582,581 | - | 915,611 |
| Net funds | <u>333,030</u> | <u>582,581</u> | <u>-</u> | <u>915,611</u> |

17. OPERATING LEASE COMMITMENTS

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

| | Land and Buildings 2014 £ | 2013 £ |
|---------------------|---------------------------------|-----------|
| Expiry date: | | |
| Within 1 year | <u>10,320</u> | <u>-</u> |

CITYPOINT TRADING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

18. RELATED PARTY TRANSACTIONS

Steve Blackburn, a non executive director, received remuneration for consultancy services of £15,737 (2013 - £16,551).

19. POST BALANCE SHEET EVENTS

A post year end dividend of £671,294 was paid to the directors.

20. CONTROLLING PARTY

There is no ultimate controlling party.

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 EU Capital Requirements Directive ("CRD") sets out the regulatory capital framework which is overseen in the UK by the Financial Conduct Authority ("FCA") and the Prudential Regulatory Authority ("PRA") through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"). From 1 January 2014, with the implementation of the Capital Requirement Directive IV (CRV IV), regulations under BIPRU for this firm have been replaced by:

- The Capital Requirements Regulation ("CRR")
- IFPRU sourcebook of the FCA handbook
- additional standards released by the European Banking Authority

The FCA 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 1st January 2014 to 31st December 2014. 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 effect the calculations of its regulatory capital requirement. This disclosure is at the Accounting Reference Date (ARD) which is currently 31st December 2014.

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. It acts as an 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 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. However, as Citypoint operates a No Dealing Desk model, it is not exposed to trading risk and does not hold proprietary positions. As an introducing broker the firm has no exposure to settlement and price volatility. 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. Citypoint faces credit risk from banks and liquidity providers, where the risk is that fees due cannot be collected. Citypoint minimises its 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 individuals who are alert to the risks faced by the area of business they are responsible for eg. trading, operations, finance compliance etc.

Our staffing levels also provide a level of contingency cover in all critical business areas. The Firm has documented 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 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 IFRU 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 IFRU €125,000 Limited Licence firm and, as such, is not required to calculate their operational risk capital requirement under Pillar 1. Instead they are required to calculate a Fixed Overhead requirement.

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 using 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 resulting in a Credit Risk Capital Component of £39,668

The Counterparty Risk Capital Component 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 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 | 1,177 |
| Tier 1 Capital Resources | 1,467 |
| CRR - Capital Resource Requirement (€125k @ 1.2750) | 98 |
| Surplus of Capital Resource | 1,369 |

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 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

The firm is required to make a disclosure of details regarding its remuneration policy.

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.

Aggregate information.

Citypoint has one key business activity and the firm does not consider that it is 'significant in terms of size, internal organisation and nature and scope of its activities', so is not required to disclose the quantitative information at the level of senior personnel.

The Firm falls within FCA proportionality Level 3 and as such this disclosure is made in line with the requirements for a Level 3 Firm.

The number of identified code staff is one.