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**MONECOR (LONDON) LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

Registered number 851820

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## Company Information

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**DIRECTORS**

A Bud  
A B Edwards  
R M Houldsworth  
E Marlow  
J E Nader  
R Nagioff  
M A Scarlett  
P M Sugarman  
J Wilson

**COMPANY SECRETARY**

M A Scarlett (appointed 6 August 2014)  
R D Harasemchuk (resigned 6 August 2014)

**REGISTERED NUMBER**

851820

**REGISTERED OFFICE**

One Broadgate  
London  
EC2M 2QS

**INDEPENDENT AUDITOR**

Deloitte LLP

## Chairman's Statement

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I am delighted to report another record year for ETX Capital (the trading name of Monecor (London) Limited, the "Company") Our revenue increased by 38% to £34.7 million (2013: £25.2 million), whilst our earnings before interest, tax, depreciation and amortisation ("EBITDA"<sup>1</sup>) grew, on an adjusted<sup>2</sup> basis, by 93% to £5.4 million (2013: £3.2 million), or £4.9 million on an un-adjusted basis (2013: £3.2 million) Our revenue and EBITDA have increased every year since the principals of JRJ Group and BXR Group acquired the Company in late 2009

This excellent performance, which is among the best growth profiles in our sector, was achieved against a backdrop of 25 year lows, or near lows, in forex, index and equity volatilities It is to be expected that customers will reduce activity levels in low volatility environments and we saw trades per customer grow by only 17% to 1,026 (2013: 875) However, due to improvements in customer acquisition and retention the number of average active customers<sup>3</sup> increased by 30% to 6,767 (2013: 5,186) While customer trading levels were relatively subdued we did reach record levels of customer money in the year. At the year-end, client money deposits were 23% higher than one year before and 41% higher than two years before This indicator shows that we continue to build a valuable customer base, which is ready to trade as markets provide more opportunities

However, 2014 was not simply a year of continued financial growth, it was also a year in which the underlying strength of the Company was reinforced through several key acquisitions, continued international expansion, investment in our human capital through senior appointments and more general build out of our human resources

Despite the low levels of market volatility and low interest rates over the last five years, ETX Capital has been able to grow its business We expect to continue to grow even if current market conditions persist, however, we are well positioned to substantially increase our growth if the market backdrop improves

We are committed to a strategy of building a sustainable, high growth, geographically diverse and product rich business with unique IP and excellent customer service As we continue to be a highly cash-generative business, we are able to invest in our growth, together with further improving our technology and customer experience. The Board will continue to monitor the capital structure of the business closely to allow sufficient headroom for the planned investment in growth initiatives, whilst retaining the ability to respond to any changes in the regulatory, financial or market environment.

### BUSINESS PERFORMANCE

Against a subdued business backdrop we saw excellent growth in all the countries in which we actively on-board customers except the Southern European countries

The UK, which 5 years ago was the only country in which ETX Capital actively on-boarded customers and remains one of our larger markets, delivered growth in retail spread and funding revenue of 47% Approximately 55% of retail spread and funding revenues are from the UK and this compares to 64% in 2013 Although UK retail customers generated 55% of revenues in 2014 they represented only 50% of our active customers in the final 3 months of 2014 The lag between revenues and customer numbers reflects the longevity of our customers and the Company's historical bias to the UK

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<sup>1</sup> EBITDA is calculated from profit before tax with bank interest, depreciation, amortisation and private equity fees added back

<sup>2</sup> Adjusted EBITDA reflects the position had the company acquired Ariel Communications and incurred the costs of integration immediately prior to the start of 2014 The Board use the adjusted EBITDA as the benchmark against which 2015 performance will be judged

<sup>3</sup> Clients that have placed, or held open, at least one trade in the period

## Chairman's Statement

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Northern Europe, mainly Germany, France and Scandinavia, which were the first international markets ETX Capital actively entered, delivered retail growth of 123%. The Company is still gaining market share at the expense of its competitors in these markets. Southern Europe, which was impacted by the particularly acute economic difficulties of Greece, Spain and Portugal and, to a lesser extent, Italy, saw spread and funding revenue fall by some 16%. Ireland, which benefited from the acquisition of Shelbourne Markets' customer base and the establishment of an ETX Capital office in Dublin, grew by 405%. Collectively, these markets represent just over a quarter of retail spread and funding revenues but 26% of active customers in the final 3 months of 2014.

More recently, ETX Capital has entered the Eastern Europe, Middle East, African and Asian markets and these have proved very successful for the business, recording retail spread and funding revenue growth in 2014 of 224% and 24% of active customers in the final 3 months of 2014.

Overall, retail spread and funding revenues increased by some 72% in 2014 compared with 2013. These revenues make up some 86% (2013: 77%) of the Company's total retail revenue, with the remaining 14% (2013: 23%) arising from the market position the Company holds as a result of its customers' trading. The fall in the market position revenue reflects the low volatility in global markets. I believe this revenue mix provides an extremely stable and low risk retail revenue stream. Overall total retail revenue growth in 2014 compared to 2013 was 60% and is the highest growth in revenues since the Company was acquired in late 2009 and demonstrates the successful execution of our strategy to expand the retail business.

In addition to revenues generated from the trading activity of retail customers, the Company deals with high net worth ("HNW") individuals and institutional customers. In recent years revenues from this customer segment have fallen as competitive pressures have increased, in particular we have found some of our competitors extending credit to HNW customers, an irresponsible and high risk practice in which we do not engage. In 2014 the HNW and institutional customers generated revenues of £8.1 million (2013: £8.1 million) representing 23% of total revenues (2013: 32%) and there is evidence from the second half of 2014 that HNW and institutional revenues have now stabilised.

Our costs comprise of the costs of customer acquisition, a cost that tends to vary with revenues, and administrative costs that do not vary with revenues but tend to be driven by staff numbers. It is imperative that we maintain tight control of our costs to benefit from the highly scalable nature of our business model.

In 2014, the cost of acquiring new customers, that is marketing and introducing broker payments, was 35% of revenue (2013: 37%). This improvement was largely driven by a shift in our approach to marketing in which we insourced activities that were previously outsourced to agencies and we further refined our data driven approach to marketing spend.

Adjusted administrative costs<sup>4</sup> were 42% of revenue in 2014 (2013: 48%). The largest component of our administrative costs is staff and this reduced from 26% of revenue in 2013 to 20% in 2014. This reduction in staff costs as a percentage of revenue was achieved despite a very sizeable increase in our staff numbers. The increase in staff numbers was driven by our investment in customer service centres (20 new staff), insourcing marketing functions (11 new staff) and technology (20 new staff) but also in regulation (4 new staff) and finance (5 new staff). While this high level of investment impacted our administrative expenses, it largely completes our expansion into new geographic regions and we would not expect such large increases in future years. Unfortunately, while we can control most of our administrative costs, the regulatory costs, including the Financial Service Compensation Scheme, continued to rise in 2014 and reached £0.5 million, some 44% increase on the prior year. Moreover, we pay VAT on much of the goods and services we consume but cannot

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<sup>4</sup> Adjusted administrative costs reflect the position of the company had Ariel Communications been acquired immediately prior to the start of 2014. It also excludes the cost of acquiring new customers.

## Chairman's Statement

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pass this onto our customers (VAT is not charged on trading services) and this results in a significant cost to the Company. In 2014 this irrecoverable VAT amounted to £1.3 million, an increase of 63% on the prior year. We recognise that by relocating our business out of the UK we could significantly reduce or even eliminate this tax burden. While we do not currently have plans to relocate the business, we could do so with ease, and we will continue to review the situation. Excluding the costs of regulation and irrecoverable VAT, adjusted administrative costs fell as a percentage of revenue from 62% in 2013 to 51% in 2014. This underlying trend demonstrates the scalable nature of our business.

The combination of revenue increase and cost control resulted in an adjusted EBITDA of £5.4 million (2013: £2.8 million), a 93% increase on the prior year. Our revenue and EBITDA have increased every year since the principals of JRJ Group and BXR Group acquired the Company in late 2009. Importantly, we continue to have the capacity to invest in the strategic initiatives that are designed to diversify and broaden the business to deliver longer-term sustainable growth without the need of capital from our shareholders.

### MARKETING

Attracting new customers and retaining existing customers is critical to the success of our business. Over the course of 2014 we further developed our marketing team, appointing a new Head of Marketing from the gaming industry, as well as a number of other appointments from the gaming industry or other industries that are leaders in digital marketing, customer acquisition and retention. During the year we insourced a number of functions that were previously undertaken by external agencies. This has given us the ability to respond more quickly to opportunities and to ensure we are optimising the various channels through which we attract customers.

We continued to build our data driven approach to marketing; we gather significant quantities of data about the channels through which we acquire our customers, about the financial standing of our customers, their deposit, withdrawal and trading patterns and, importantly, their behavioural characteristics. We are increasingly using this data to inform the way we interact with our customers and to maximise our profit opportunities.

### CUSTOMER SERVICE

We continued to build our multi-lingual customer service team, increasing headcount by 145% in 2014, and appointed a new Head of Customer Service with considerable experience from finance, gaming and education companies. We now directly operate three customer service centres and our tied agents operate a further five customer service centres.

### TECHNOLOGY

ETX Capital's business is significantly dependent upon its technology. Our technology enables us to, interact with our customers through websites and mobile applications in 20 different languages; on-board customers with largely automated 'know your customer' ("KYC") checks, offer customers multiple trading platforms; process customer payments and orders, enable customers to view their positions, manage our market exposure and hedging strategies in real-time, and provide messaging across our front, middle and back office systems so that we are able to monitor and report on the financial and operating performance of the Company.

For the past 7 years ETX Capital has worked closely with a third party technology supplier, Ariel Communications, to build a world class multi asset trading platform known as Ariel iTrade and to fully integrate this platform into our middle and back office systems. In August 2014 ETX Capital acquired Ariel communications and merged the technology teams of the two companies. This has

## Chairman's Statement

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resulted in ETX Capital having full control of its multi-asset technology. While the rationale for this transaction was based on control of our technology, the acquisition will also bring cost benefits. While the costs of integration were some £ 0.6 million, largely redundancies and early cessation of supplier contracts, the on-going administrative costs will be slightly less than our previous contractual payments to Ariel Communications.

I believe that ownership of our technology is critical to optimising the customer experience, making our business highly efficient and maximising profitability, moreover, it allows us to differentiate and continually develop our product to ensure we retain existing customers and attract increasing numbers of new customers.

While owning our own multi-asset trading platform and associated middle and back office technology is critical to our success, we still offer our customers the Meta Trader 4 ("MT4") platform. There is little or no differentiation between the MT4 platforms offered by our competitors which means that customer choice tends to be driven by the spreads and leverage offered. However, being able to offer customers multi-asset trading, something not possible on MT4, is attractive to customers and a real point of differentiation. Importantly, all our customer positions that result from customer activity on the MT4 platform are fed into our iTrade platform which allows us to manage market exposure centrally in real-time. In addition to MT4, we also offer our customers a binary options platform.

In the modern world, technology, marketing and customer service are inextricably linked and the three functions come together to determine the customer experience. Ensuring our customers have a good experience of dealing with us is critical to the retention of existing customers and acquisition of new customers.

### RISK MANAGEMENT

The Company is exposed to a number of risks and these are covered in the Strategic report (page 10). Within these risks, the Company's exposure to market risk is actively managed on a real-time basis. The aggregate of customer positions is hedged when it exceeds levels set by the Board for the asset classes or individual assets within a class. The Company manages its risk centrally across all trading platforms and geographies, and has strong relationships with a number of leading global Prime Brokers. Our proprietary risk management systems have proven to be extremely robust, particularly when extreme volatility spikes occur in an individual asset.

### STAFF

In 2014 we saw the largest increase in staff numbers in the Company's history. At the end of 2014, staff numbers stood at 142 (2013: 79). This increase was, in part, driven by new revenue opportunities for the Company but also by the acquisition of Ariel Communications and the business of Shelbourne markets. New staff are rarely effective immediately, and require training in the team they join as well as training in the Company's policies and procedures. This requires a considerable effort from existing staff and I am pleased to say that everyone rose to the challenge. I do not expect such a large headcount increase in 2015, moreover, there are efficiencies that can be gained through automation and these are being aggressively progressed.

### REGULATION

In general we have seen that customers prefer to deal with companies such as ETX Capital that operate under a strict regulatory regime and can demonstrate rigorous process and controls, including strict controls around client money, rather than those companies that operate in more relaxed regulatory environments and with a cavalier approach to business. In this regard the poor

## Chairman's Statement

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business performance, and in some cases bankruptcies, of some companies within our sector appears to continue unabated

As the regulatory environment continues to develop, we are cognisant of the importance of maintaining collaborative and constructive relationship with our regulator. ETX Capital fully appreciates that the industry in which we operate requires considered and sophisticated regulatory oversight and we wish to see these principles applied with total consistency across the industry. Although each region is separately regulated, countries are increasingly impacted by the growing globalisation of commerce and the rules which surround it. This is particularly so in Europe, where the UK is only one of twenty-eight member states with an interest and a say in how regulation develops. Consequently, we continue to monitor and manage this very carefully at the Executive level as well as at Board level.

Although there are few tangible signs of progress by the 11 EU member states seeking to introduce a financial transaction tax (FTT) under the enhanced-cooperation process, the rhetoric suggests that eventually we will see some form of levy on financial transactions. However, we continue to believe that any tax would be considerably less onerous than originally proposed.

### BOARD OPERATION

Our Board and its associated committees continue to operate effectively. The Board composition has not changed in 2014 and there have not been any substantial changes in the Board Committees.

The Risk Committee, under the Chairmanship of Roger Nagioff, reviewed on a regular basis the capital, liquidity and market risks of the business and recommended changes to the policies and procedures where appropriate. It is worthwhile noting that the Company was not materially affected by the removal of Swiss Franc – Euro peg on the 15 January 2015 and this is a reflection of the care with which the Company addresses its risk exposures.

The Audit and Compliance Committee, under the Chairmanship of Peter Sugarman, met periodically during the year, receiving and reviewing reports from the Auditors and the Compliance team.

The Remuneration Committee, under the Chairmanship of Ed Marlow, one of two Independent Directors, reviewed the remuneration of all Senior Management and the compliance of the company with the FCA's Remuneration Code and found this to be satisfactory. We have not made any substantive changes to the structure of our remuneration for the coming year.

The Executive Committee, under the Chairmanship of John Wilson, was joined in late 2014 by the Company's newly appointed Chief Technology Officer and met at least weekly throughout the year to review the performance of the business, ensure compliance with the authorities agreed by the Board and that the business was managed effectively on a day to day basis.

### SHAREHOLDERS

The Company is a privately owned and enjoys the full support of its controlling shareholders who are the Principals of JRJ Group and BXR Group.

JRJ Group is a private equity investment firm, focused on the financial services sector - an industry in which its principals have long practical experience. The firm provides capital, operational expertise and strategic guidance to its portfolio companies and in doing so, fosters sustainable growth and creates real value for the benefit of their investors and partners, as well as the communities in which their investees operate. JRJ Group was founded by Jeremy Isaacs and Roger Nagioff.

## Chairman's Statement

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BXR Group is an international private investment group with over USD 6 billion of assets under management and a 16 year track record of superior investment performance across a variety of industry sectors

### STRATEGY AND POSITIONING

ETX Capital has grown substantially since the acquisition of the company by its current shareholders in late 2009. This has been achieved through ruthless focus on the customer experience, expansion of the business internationally, investment in the development of market-leading technology, consistent delivery of high-quality customer service and more recently, the acquisition of key assets. The segment in which we operate continues to display good growth, particularly in international markets. We are convinced that continued investment in customer service and technology to ensure that existing and new customers enjoy their trading experience is the key to growing our business further.

Unlike many of our competitors we have chosen to expand internationally from a base in the UK without the cost and regulatory burden of international offices, although we do operate an office in Ireland and operate under a regulated activity in South Africa. To facilitate this international expansion we have built an international marketing capability and a network of tied agents. The tied agents are branded as ETX Capital but support their own costs. This mixed model of customer acquisition has served us well and we expect it to continue to do so. However, more recently we have acquired businesses and we expect our overall growth to be from a combination of organic growth and acquisition.

### OUTLOOK

Monetary policies across the globe have converged over the last few years, consisting of near-zero interest rates and a process of quantitative easing (QE). Such a monetary policy tends to reduce volatility across asset classes, and results in low and stable interest rates. These effects have a particularly dampening impact on the forex market but also impact other asset classes. This phase of monetary policy appears to be drawing to a close in some countries, with cessation in the UK and tapering in the US and the prospect of rising interest rates in both countries. Of course, the introduction of QE by the European Central Bank will dampen some of the effect of tapering elsewhere. As monetary policies shift in response to the improving economic situation, I would expect that ETX Capital will be a beneficiary in four ways. Firstly, we should see an increase in market volatility, which would drive greater levels of customer activity and lift our spread and market position income, secondly, as we hold almost £49.8 million of cash and other interest-earning assets, interest income will rise, thirdly, as we charge customers funding on positions held overnight, this revenue stream will increase as customer activity increases and interest rates rise, and, fourthly, a greater level of consumer confidence tends to increase the risk appetite among prospective customers, and therefore produce a greater flow of new customers into the industry which, in turn, lifts new deposits from which we can generate revenues.

We have grown our revenues and EBITDA every year since being acquired in late 2009. This has been achieved against a backdrop of global economic slowdown in many countries and recession in others, historically low interest rates and historically low market volatility. Despite the low levels of market volatility and low interest rates, ETX Capital has been able to grow its business by offering superior products and service to an increasingly international customer base. While we will continue to develop our products and service and continue to expand internationally we also expect volatility and interest rates to rise. Having proven our ability to grow in markets that many other financial institutions have found challenging we expect to continue to grow even if the market backdrop



## Chairman's Statement

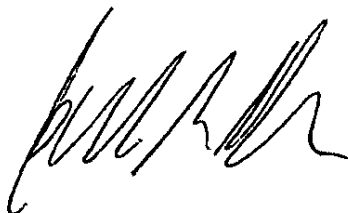
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remains challenging, however, we are well positioned to increase our growth substantially as the market backdrop improves

Our operating model and risk management have been thoroughly tested and have proved highly resilient. We continue to innovate and to grow our business. I believe that ETX Capital is better placed than ever before to deliver continued growth in revenue and profitability.

### CONCLUSION

There has been much discussion and comment about low levels of volatility and low interest rates. Our excellent results have been achieved despite these headwinds, which have adversely affected so many financial services companies in the past years. It is impossible to forecast volatility levels into the future, but I have no doubt that our management team will be able to take full advantage of the business opportunities that will arise, and give our customers the leading trading service they have come to expect. As always, none of our success could have been achieved without the commitment of all of our employees. Our colleagues have again responded admirably to the challenges that the markets and competition have presented us, and I have no doubt that this will continue into the future. My fellow Directors and I would like to express our sincere gratitude to them for their personal contributions to the Company's successes again this year.



Dr John Wilson  
Executive Chairman  
27 March 2015

## Strategic Report

The directors present their review of the activities of the Company for the year ended 31 December 2014

### Background

The Company carries on business providing execution only financial contracts for difference (CFDs) to retail, professional and institutional clients in the UK and overseas. The Company is Authorised and Regulated by the FCA – Firm Reference Number 124721.

The Company trades under a number of names the most significant of which is ETX Capital.

The Company interacts with the majority of its clients through its online presence at [www.etxcapital.com](http://www.etxcapital.com) but also provides trading services and support using telephone and other access media.

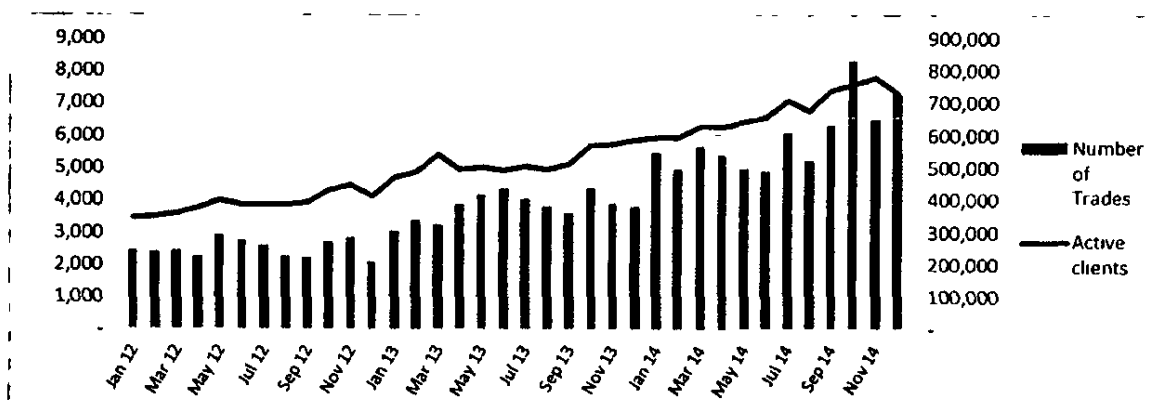
The Company's strategy remains to increase its penetration in the online retail segment of the business, which the directors believe will leverage the existing capabilities most effectively. The Company will continue to expand its geographic and product reach to maximise this effect.

### 2014 Performance

The Company generates its revenues from two sources: an online retail or "web" service and a relationship based brokerage.

	2014 £	2013 £
Online retail "web" revenues	26,549,671	17,029,515
Broker revenues	8,110,695	8,134,223
	<u>34,660,365</u>	<u>25,163,738</u>

Online revenues have continued to make substantial progress during the year increasing 55% from 2013 driven by steady increases in active clients and transaction volumes – clients at over 55% per annum and transactions at over 25%.



The directors view the UK as an important but highly saturated market. Whilst clear opportunities for expansion remain in the UK, expansion outside the UK presents a higher return.

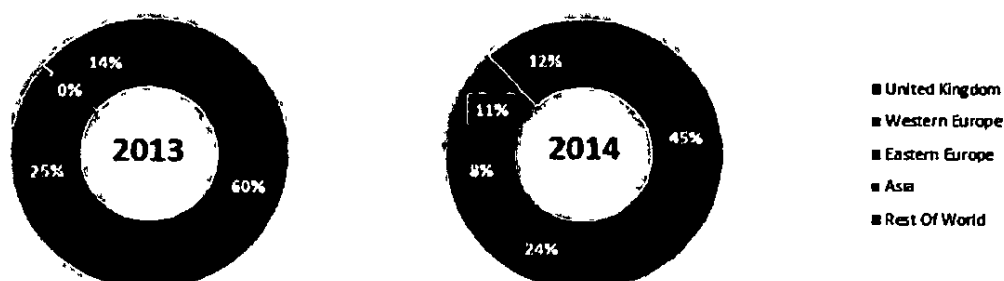
During the year the Company has continued to invest heavily in the development of foreign language sites to service non-UK markets directly, adding sites in Eastern European and Middle Eastern languages.

The most important leading indicators of revenue are the rate of new account opening and the quantum of first time deposits (FTD); both have shown considerable expansion – new traded

## Strategic Report

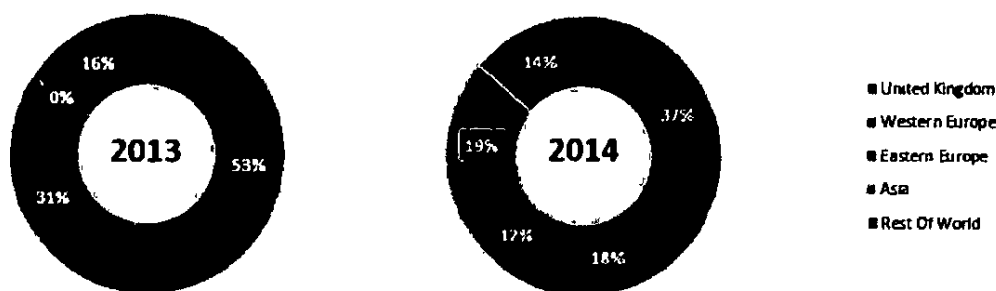
accounts increased 86% and FTDs by 167% - and there has been a continued shift in the pattern of new accounts and FTDs toward non-UK based clients

### Geographic Split of New Accounts



This impact accelerated during the year so that in December 2014 the ratio of UK to non-UK new accounts showed over 68% outside the UK and 36% outside the EEA

### Geographic Split of FTDs



As for New funded Accounts the impacts are accelerating; in December 2014 UK deposits were less than 20% of the total

The directors expect that this will continued to be reflected in growth during 2015

As at year end the directors believe the Company is well placed to continue its expansion as markets particularly in the UK and world-wide continue to recover from recession. The Company will launch further language based web-sites to expand its geographical reach in Eastern Europe, the Middle East and the Far East

### Risk Environment

The Company operates in a fast evolving, regulated environment where customer satisfaction in all aspects is the key to success. The risk environment is characterised as the failure to deliver the services the clients require in a compliant manner, the main risk areas identified by the directors are summarised below as operational and regulatory

**Systems Risk** All the Company's businesses rely heavily on software and technology, as a result of operating a multiplicity of purchased and proprietary systems in a highly integrated hardware structure

Risk arises in three broad areas the physical loss or failure of systems or connectivity; external attack and misuse of systems by current or former staff

## Strategic Report

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The inability of any of these systems to be available or operate properly for any length of time, can result in direct losses, for example, through trades not being booked correctly, or indirect losses, for example, through harm done to the Company's reputation

These systems could become unavailable due to specific individual problems or attacks or due to a more general disaster situation arising from, for example, terrorism, fire and/or flooding

Systems risk has been reduced during the year by the purchase of the software supplier (Ariel Communications) for its main proprietary engine and is further mitigated by extensive back-up plans and resources and by the use of external experts to protect the operating environment. The Business Continuity Plan (BCP) is maintained and documented and is reviewed constantly and tested periodically throughout each year

**Internal Control Risk** This risk arises from the potential for gaps or weaknesses in any system of internal controls to permit error or fraud to occur and cause consequential losses for the Company

The Company mitigates Operational risk in general by ensuring that Policies and Procedures are clearly documented and that adherence to Policies and Procedures is periodically tested

Following the "rogue trader" incidents at UBS London and Societe Generale reviews have been completed to ensure that trading staff with knowledge of back-office processes cannot circumvent controls, and, most importantly, confirming that traders cannot cancel or correct client-side trades without back-office intervention

Following concerns over possible breach of client segregation procedures by MF Global and Worldspreads focus has been increased on full documentation, the Company is confident that its CASS procedures are adequate and fully adhered to

**Regulatory risk:** The Company is actively exposed to law and regulation changes in a number of areas, including tax treatment changes, stamp duty expansion, leverage limits, betting duty changes, reporting and disclosure requirements, short selling restrictions and financial promotion rules.

The Company continues to make significant investments in compliance and legal resources to address these risks. Despite the constant need to modify its compliance, reporting and client documentation to reflect the changing requirements the Company believes that its in-house professional teams and their external advisors ensure that the Company addresses these issues positively before they can crystallise risk to the Company

The Company recognises the role of regulation in protecting its clients from inappropriate actions or failure to act appropriately. In the UK one of the most critical regulatory areas is the separation or segregation requirements for Client Assets

The Company now trades in a substantial number of new regulated markets in an environment of heightened regulatory attention on the whole derivatives markets. As the Company develops its global operations it will continue to expand its knowledge and capabilities to cover those domestic and foreign regulatory environments.

This report was approved by the Board and signed on its behalf by



Marcus Scarlett  
Director  
27 March 2015

## Directors' Report

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The directors present their annual report, the financial statements and the auditor's report for the year ended 31 December 2014

### Directors

A Bud  
A B Edwards  
R M Houldsworth (non-executive)  
E Marlow (non-executive)  
J E Nader (non-executive)  
R Nagioff (non-executive)  
M A Scarlett  
P M Sugarman (non-executive)  
J Wilson

All directors served throughout the year except where noted above

### Results and dividends

The profit for the year, after taxation, amounted to £2,487,353 (2013 – £783,080) as shown in the profit and loss account on page 17

The directors do not propose a dividend (2013 - £nil)

### Going concern

With the recent and on-going economic conditions and uncertainties, the directors have given particular and careful consideration in order to satisfy themselves that it is reasonable and appropriate to prepare the financial statements on a going concern basis. The directors' assessment of the Company in respect of going concern and liquidity risk has been based on an analysis of a number of business aspects. Those aspects included

- Profit and cash flow, including scenario stress testing
- Borrowing requirements
- Liability management
- Contingent liabilities
- Evolving regulatory environment
- Products and markets
- Financial risk management
- Other factors and financial adaptability.

Having taken all these considerations into account, the directors are of the opinion that as of the date of these accounts the Company has adequate resources to continue operational existence for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.

### Pillar III disclosure

The Pillar III disclosure is shown on the Company's website [www.monecor.com/pillar3](http://www.monecor.com/pillar3).

### Insurance and indemnities

The Company pays for liability insurance for all directors and officers

### Donations

The Company made no political donations in the year (2013 - £nil). The Company made charitable donations of £43,647 in the year (2013 - £54,522).

## Directors' Report

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### Auditor

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

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

This report was approved by the Board and signed on its behalf by



Marcus Scarlett  
Director  
27 March 2015

## Directors' Responsibilities

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The directors are responsible for preparing the Annual 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 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 judgements and 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, and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditor's Report

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## **Independent Auditor's Report to the members of Monecor (London) Ltd**

We have audited the financial statements of Monecor (London) Ltd for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 26. 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 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 auditor**

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. 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 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



## Independent Auditor's Report

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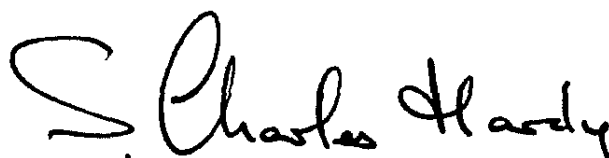
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year 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, 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



Simon Hardy FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

27 March 2015



## Profit and Loss Account for the year ended 31 December 2014

	Notes	2014 £	2013 £
<b>TURNOVER</b>		<b>34,660,365</b>	<b>25,163,738</b>
Cost of sales		(11,355,114)	(7,540,624)
<b>GROSS PROFIT</b>		<b>23,305,251</b>	<b>17,623,115</b>
Administrative expenses		(20,852,500)	(16,555,335)
<b>OPERATING PROFIT</b>	<b>2</b>	<b>2,452,751</b>	<b>1,067,780</b>
Interest receivable	<b>6</b>	<b>283,862</b>	<b>221,724</b>
Interest payable	<b>7</b>	<b>(106,098)</b>	<b>(90,685)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>2,630,514</b>	<b>1,198,819</b>
Tax on profit on ordinary activities	<b>8</b>	<b>(143,161)</b>	<b>(415,738)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>2,487,353</b>	<b>783,080</b>

All amounts relate to continuing operations


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

The notes on pages 20 to 36 form part of these financial statements

# Balance Sheet as at 31 December 2014

	Notes	£	2014 £	£	2013 £
<b>FIXED ASSETS</b>					
Tangible assets	9		2,922,645		2,898,991
Intangible assets	10		727,055		274,389
Investments	11		4,106,161		-
			<u>7,755,861</u>		<u>3,173,380</u>
<b>CURRENT ASSETS</b>					
Debtors	12	31,901,724		26,725,057	
Investments - listed		57,054,366		72,979,872	
Investments - unlisted		11,012,085		1,295,752	
Cash at bank	13	53,668,361		43,188,798	
		<u>153,636,537</u>		<u>144,189,480</u>	
<b>CREDITORS: amounts falling due within one year</b>					
Investments - listed		(2,659,965)		(24,867,947)	
Amounts owed to clients		(104,894,843)		(69,569,619)	
Creditors and accruals	14	(42,321,449)		(43,856,177)	
		<u>(149,876,257)</u>		<u>(138,293,743)</u>	
<b>NET CURRENT ASSETS</b>			<u>3,760,280</u>		<u>5,895,737</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>11,516,140</u>		<u>9,069,117</u>
<b>PROVISIONS FOR LIABILITIES</b>					
Other provisions	16		-		(50,000)
<b>NET ASSETS</b>			<u>11,516,140</u>		<u>9,019,117</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		14,011,321		14,011,321
Share premium account	18		57,690		57,690
Profit and loss account	18		(2,552,871)		(5,049,894)
<b>SHAREHOLDERS' FUNDS</b>	19		<u>11,516,140</u>		<u>9,019,117</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 March 2015.

  
M A Scarlett  
Director

The notes on pages 20 to 36 form part of these financial statements

Registered Number 851820

## Cashflow for the year ended 31 December 2014

	Notes	2014 £	2013 £
<b>Net cashflow from operating activities</b>	<b>20</b>	<b>16,414,868</b>	<b>1,279,265</b>
<b>Returns on investments and servicing of finance</b>			
Interest received	6	283,862	221,724
Interest paid	7	(106,098)	(90,685)
Net cash inflow		<u>177,763</u>	<u>131,039</u>
<b>Taxation</b>			
Taxation paid		<u>272,577</u>	<u>(0)</u>
<b>Capital expenditure and financial investment</b>			
Development costs capitalised	10	(614,232)	(157,992)
Purchase of tangible fixed assets	9	(1,665,252)	(1,949,041)
Purchase of subsidiary		(4,106,161)	-
Net cash outflow		<u>(6,385,645)</u>	<u>- 2,107,033</u>
<b>Cash (outflow)/inflow before financing</b>		<b>10,479,563</b>	<b>(696,730)</b>
<b>Financing</b>			
Issue of share capital		-	-
<b>(Decrease)/increase in cash in the year</b>		<u><b>10,479,563</b></u>	<u><b>(696,730)</b></u>
<b>Reconciliation of net cashflow to movement in net funds</b>			
(Decrease)/increase in cash in the year	21	<u>10,479,563</u>	<u>(696,730)</u>
Movement in net funds in the year		<u>10,479,563</u>	<u>(696,730)</u>
Net funds at 1 January		<u>43,188,798</u>	<u>43,885,528</u>
<b>Net funds at 31 December</b>		<u><b>53,668,361</b></u>	<u><b>43,188,798</b></u>

The notes on pages 20 to 36 form part of these financial statements

# Notes to the Financial Statements

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## **1 ACCOUNTING POLICIES**

### **1.1 Basis of preparation of financial statements**

The financial statements of the Company are prepared under the historical cost convention as modified by the revaluation of financial instruments at market value and in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) which have been applied consistently throughout the year

The financial statements are presented in Sterling

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of such estimates means that actual outcomes could differ. In the directors' opinion, there are no critical accounting estimates or judgements that have a significant risk of causing material adjustments to the carrying value of assets and liabilities in the next financial year.

The Company's parent Kytos Limited, a company incorporated in Jersey, prepares group accounts and therefore the Company, as a wholly owned subsidiary, is applying the exemption not to prepare consolidated accounts under section 401 of the Companies Act 2006.

### **1.2 Going Concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, Strategic Report and Directors' Report on pages 2 to 13.

The Company meets its day to day working capital requirements through its own funds. The Company has a short term bank overdraft facility of £5 million of which £1.5 million is drawn at the balance sheet date.

The forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current available resources.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### **1.3 Financial instruments at fair value through profit or loss**

Financial instruments relate to listed and unlisted investments and derivative financial instruments such as financial spread betting contracts and contracts for difference and are classified as held for trading if they are expected to settle in the short term.

The financial instruments are initially measured at fair value plus transaction costs. The Company determines the classification of financial assets and liabilities at initial recognition and re-evaluates this designation at each financial year end where applicable.

The Company uses derivative financial instruments, in order to hedge exposures resulting from derivatives contracts with clients, which are also classified as held for trading.

## Notes to the Financial Statements

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### 1.4 Determination of fair value

Listed and unlisted investments, spread betting contracts and other derivative financial instruments are stated at fair value determined by reference to third party market values (official settlement price)

### 1.5 Foreign currencies transactions and balances

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Gains and losses arising during the year on transactions and balances denominated in foreign currencies are treated as normal items of income and expenditure in the profit and loss account

### 1.6 Revenue recognition

Revenue comprises market making profits earned from trading in contracts for difference and financial spread betting together with associated income and expenses derived from these financial instruments.

Revenue is recognised in the profit and loss account when it is considered probable that the economic benefits associated with the transaction will flow to the Company and can be reliably measured

### 1.7 Tangible fixed assets and depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows

Furniture and fixtures	5 years
Computer equipment	4 years
Computer software	2 - 3 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and are written down to the recoverable amount

### 1.8 Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment

### 1.9 Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed as at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

### 1.10 Research and development

Software expenditure incurred on the development of the Company's trading, settlement and risk management systems is capitalised to the extent that the asset is expected to deliver benefits at least as great as the amount capitalised

## Notes to the Financial Statements

### 1.10 Research and development (continued)

Software development costs that are directly attributable to bringing a computer system or other computer operated machinery into working condition for its intended use within the business are treated as part of the cost of the related hardware rather than as a separate intangible asset.

Development expenditure is recognised as an intangible asset only after the following criteria are met

- The project's technical feasibility and commercial viability can be demonstrated
- The availability of adequate financial resources and an intention to complete the project have been confirmed
- The correlation between development costs and future revenue has been established

Development costs are amortised on a straight line basis over three years from the commercial application of the system. The carrying values of capitalised development costs are reviewed annually for impairment.

### 1.11 Share based payments

Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

## 2 OPERATING PROFIT

The operating profit is stated after charging

	2014 £	2013 £
Depreciation of tangible fixed assets owned by the Company	1,641,599	1,538,348
Amortisation of deferred research and development expenditure	161,566	88,486
Operating lease rentals	263,775	393,193
Auditor's remuneration - audit fees	106,000	85,000
Auditor's remuneration - non-audit fees	29,000	27,500
Auditor's remuneration - regulatory assurance	5,000	5,000

## Notes to the Financial Statements

### 3 STAFF COSTS

Staff costs including directors' remuneration were as follows:

	2014 £	2013 £
Wages and salaries	5,315,508	4,923,810
Social security costs	681,718	724,582
Contributions to defined contribution pension schemes	30,893	8,728
	<u>6,028,119</u>	<u>5,657,121</u>

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

	2014 No	2013 No
Management	4	3
Front Office	18	20
Customer Service	27	11
Technology	20	14
Marketing	14	5
Support	11	11
Finance	10	8
Compliance & Legal	6	4
	<u>110</u>	<u>76</u>

### 4 DIRECTORS' REMUNERATION

	2014 £	2013 £
Emoluments	<u>646,391</u>	<u>937,017</u>

The highest paid director received remuneration of £252,704 (2013 - £377,999)

Pension contributions paid on behalf of directors for 2014 amounted to £166 (2013 - £607).

Pension contributions paid on behalf of the highest paid director for 2014 amounted to £nil (2013 - £607)



## Notes to the Financial Statements

### 5 SHARE BASED PAYMENTS

The Company issued growth shares in a prior period in which employees of Monecor (London) Limited invested. All growth shares issued have since been transferred to Kytos Limited as part of a share reorganisation. Kytos Limited is the ultimate beneficial owner of Monecor (London) Limited.

The Company has applied FRS 20 to all grants of equity instruments under the plan.

In accordance with FRS 20, requirements for share based payment awards, the value of the shares granted was determined on grant date applying standard industry valuation matrix. Vesting conditions were not taken into account when measuring the value, but reflect the number of equity instruments included in the measurement of the transaction such that the amount recognised reflects the number of shares that have actually vested. The vesting period of the majority of shares issued was the 4 years to 31 December 2014. The remaining portion of shares were vested over 2 years, completing on 31 December 2012.

	Number of growth shares	Estimated value of expense over vesting period £	2014 charge to profit and loss account £	2013 charge to profit and loss account £
Granted during prior periods	<u>29,222,243</u>	<u>103,307</u>	<u>9,670</u>	<u>9,670</u>

There were no shares granted, forfeited or exercised during the year.

### 6 INTEREST RECEIVABLE

	2014 £	2013 £
Interest receivable from banks and brokers	<u>283,862</u>	<u>221,724</u>

### 7 INTEREST PAYABLE

	2014 £	2013 £
Interest payable to banks and brokers	<u>106,098</u>	<u>90,685</u>

## Notes to the Financial Statements

### 8 TAXATION

	2014 £	2013 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b>		
UK Corporation tax charge on profit for the year	50,167	38,192
Adjustments in respect of previous periods	1	-
	<u>50,168</u>	<u>38,192</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	283,933	227,693
Prior period adjustment	(171,128)	(67)
Change in tax rate	(19,811)	149,919
<b>Total deferred tax</b>	<u>92,994</u>	<u>377,545</u>
<b>Tax on profit on ordinary activities</b>	<u>143,162</u>	<u>415,738</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 – lower than) the standard rate of corporation tax in the UK 21.5% (2013 – 23.25%). The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>2,630,514</u>	<u>1,198,819</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	565,561	278,725
<b>Effects of:</b>		
Expenses not deductible for tax purposes	82,112	16,121
Capital allowances in excess of depreciation	13,991	66,572
Research and development tax relief	(363,212)	(50,236)
Losses utilised	(237,535)	(272,990)
Other timing differences	(10,750)	0
Changes in provisions	-	-
<b>Current tax charge for the year</b>	<u>50,167</u>	<u>38,192</u>

## Notes to the Financial Statements

### 9 TANGIBLE FIXED ASSETS

	Furniture, fixtures and equipment £	Website development £	Total £
<b>Cost</b>			
As at 1 January 2014	7,611,018	2,083,773	9,694,792
Additions	1,297,431	367,821	1,665,252
Disposals	-	(187,612)	(187,612)
As at 31 December 2014	<u>8,908,449</u>	<u>2,263,982</u>	<u>11,172,432</u>
<b>Depreciation</b>			
As at 1 January 2014	5,456,338	1,339,463	6,795,800
Charge for the year	1,265,571	376,028	1,641,599
Disposals	-	(187,612)	(187,612)
As at 31 December 2014	<u>6,721,909</u>	<u>1,527,879</u>	<u>8,249,787</u>
<b>Net book value</b>			
As at 1 January 2014	<u>2,154,681</u>	<u>744,311</u>	<u>2,898,991</u>
As at 31 December 2014	<u>2,186,540</u>	<u>736,103</u>	<u>2,922,645</u>

### 10 INTANGIBLE FIXED ASSETS

	Software Development £
<b>Cost</b>	
As at 1 January 2014	387,808
Additions	614,232
As at 31 December 2014	<u>1,002,040</u>
<b>Amortisation</b>	
As at 1 January 2014	113,419
Charge for the year	161,566
As at 31 December 2014	<u>274,985</u>
<b>Net book value</b>	
As at 1 January 2014	<u>274,389</u>
As at 31 December 2014	<u>727,055</u>

## Notes to the Financial Statements

### 11 FIXED ASSET INVESTMENTS

#### Investments in subsidiaries

	2014 £
Cost	
As at 1 January 2014	-
Additions	4,106,161
As at 31 December 2014	<u>4,106,161</u>

On 21 August 2014 the company acquired 100% of the issued share capital of Ariel Communications Limited, a company whose primary activity is proprietary software sales, software development, support, maintenance and hosting. Ariel Communications Limited was acquired for the consideration of £4,106,161.

### 12 DEBTORS

	2014 £	2013 £
Trade debtors - client	2,242,757	1,270,842
Trade debtors - broker	26,141,150	21,905,242
Sundry debtors	2,583,529	2,521,690
Deferred tax asset (see note 15)	934,288	1,027,282
	<u>31,901,724</u>	<u>26,725,057</u>

All debtors are due within one year, except the deferred tax asset which may be recovered in full in more than one year.

Included within sundry debtors, is a loan balance of £1,474,119 due from the Company's parent, Kytos Limited.

### 13 CASH AND CLIENT MONEY

	As at 1 January 2014 £	Cashflow £	As at 31 December 2014 £
Cash in hand and at bank	12,156,146	3,423,154	15,579,300
Client money held	31,032,653	7,056,408	38,089,061
	<u>43,188,799</u>	<u>10,479,562</u>	<u>53,668,361</u>

The Company holds money on behalf of clients in accordance with the client money rules of the FCA. This money is included within cash on the balance sheet and the corresponding liability to the clients is included within the amounts owed to clients on the balance sheet. At the year-end one of the Company's brokers held a charge over £8 million (2013 -£7.9 million) of the cash balance.

## Notes to the Financial Statements

### 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£	£
Brokers	37,037,925	41,752,718
Bank loans and overdrafts	1,500,000	-
Other creditors	1,649,150	289,059
Accruals	2,134,375	1,814,400
	<u>42,321,450</u>	<u>43,856,177</u>

Included within other creditors, is an intercompany balance of £152,602 due to Kytos Limited and an intercompany balance of £766,886 due to Ariel Communications Limited

### 15 DEFERRED TAX ASSET

	2014	2013
	£	£
As at 1 January	1,027,283	1,404,895
Current year adjustments	(283,933)	(227,693)
Prior period adjustment	171,127	
Change of tax rate	19,811	(149,919)
As at 31 December	<u>934,288</u>	<u>1,027,283</u>

The deferred tax asset is made up as follows:

	2014	2013
	£	£
Fixed asset timing differences	(257,849)	(193,036)
Timing differences in relation to losses	1,192,137	1,208,819
Other short term timing differences	-	11,500
	<u>934,288</u>	<u>1,027,283</u>

## Notes to the Financial Statements

### 16 PROVISIONS

	Dilapidations £
As at 1 January 2014	50,000
Additions	-
Disposals	(50,000)
As at 31 December 2014	<u>-</u>

The dilapidation provision related to contractual obligations of the Company on surrender of a property lease to reinstate the premises to the same state and condition as before occupancy. This provision was written back to the profit and loss account during the year.

### 17 SHARE CAPITAL

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
15,420,522 €1 ordinary shares of €1 each	9,911,029	9,911,029
100,000,000 "A" ordinary shares of £0.041 each	4,100,000	4,100,000
29,222,243 growth shares of £0.00001 each	292	292
	<u>14,011,321</u>	<u>14,011,321</u>

### 18 RESERVES

	Share premium account £	Profit and loss account £
At 1 January 2014	57,690	(5,049,894)
Profit for the year	-	2,487,353
Share based awards	-	9,670
At 31 December 2014	<u>57,690</u>	<u>(2,552,871)</u>

## Notes to the Financial Statements

### 19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Opening shareholders' funds	9,019,117	8,226,367
Profit for the year	2,487,353	783,080
Shares issued during the year	-	-
Share based awards	9,670	9,670
Closing shareholders' funds	<u>11,516,140</u>	<u>9,019,117</u>

### 20 NET CASHFLOW FROM OPERATING ACTIVITIES

	2014 £	2013 £
Operating profit	2,452,751	1,067,780
Depreciation	1,641,599	1,538,348
Amortisation	161,566	88,486
(Increase)/decrease in debtors	626,438	2,373,946
Increase/(decrease) in creditors	11,582,514	(3,800,544)
Increase/(decrease) in provisions	(50,000)	11,250
Net cash inflow/(outflow) from operating activities	<u>16,414,868</u>	<u>1,279,265</u>

### 21 ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2014 £	Cashflow £	31 December 2014 £
Cash at bank and in hand	43,188,798	10,479,563	53,668,361
Net funds	<u>43,188,798</u>	<u>10,479,563</u>	<u>53,668,361</u>

## Notes to the Financial Statements

### 22 OPERATING LEASE COMMITMENTS

As at 31 December 2014 the Company had annual commitments under non-cancellable operating leases as follows

	2014	2013
<b>Expiry date:</b>		
Within one year	13,390	1,791
Between 2 and 5 years	329,540	249,540
	<u>342,930</u>	<u>251,331</u>

### 23 RELATED PARTY TRANSACTIONS

During the year the Company paid management fees of £300,000 to JRJ Ventures LLP Monecor (London) Limited and JRJ Ventures LLP are subject to common control

The following loan balances were due from directors throughout the year

Andrew Edwards £26,077

John Wilson £28,578

No interest is charged on these loans

Some directors had trading accounts with the Company during the year. These were subject to the same terms and conditions as other clients of the Company. At the year end the liquidation values on trading accounts held by Company Directors were:

Andrew Edwards: (£5,452)

Roger Nagioff £22,493

Peter Sugarman £200,061

John Wilson £61,853

As at 01 January 2014, the Company was owed £1,339,539 in the form of a loan to Kytos Limited, its controlling entity. During the year the Company made additional loan payments of £26,625 to Kytos Limited. Interest of 3.5% per annum is charged on the loan and as a result, Kytos Limited owed the Company £1,471,119 at the Balance Sheet date.

During the year the Company incurred costs of £624,006 on behalf of, and received unbilled services totalling £485,892 from Ariel Communications Limited, a subsidiary Company. The company also received cash of £905,000 during the year from this subsidiary. As a result at the Balance sheet date, included within other creditors, is a balance owed to Ariel Communications Limited for £766,886.

### 24 CONTROLLING PARTY

The Company's ultimate controlling entity is Kytos Limited, a Company incorporated in Jersey.



## Notes to the Financial Statements

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### 25 FINANCIAL RISK MANAGEMENT

The Company's approach to the assessment of risk and to the control and monitoring of risk assumed in the course of its activities are documented by the board, the continuous review, by the board and the risk committee of the board, of these processes maintains a statement of the Company's risk appetite, the description of the risk management framework and the internal capital adequacy assessment process

The board has set risk limits for all aspects of its activities to ensure that the tolerated levels of risk set in the Company's risk appetite are not breached

The management structure for risk in the Company is integrated at all levels with appropriate oversight and clear responsibility and reporting lines

In performing its review and assessment of capital requirements (ICAAP) the board has documented that controls are appropriate for the levels and types risk the Company faces

The Company identifies three broad groups of risk arising from the financial instruments in which it trades market risk, credit risk and liquidity risk

#### MARKET RISK

Market risk is the risk that changes in prices or underlying instruments' values impact the Company's revenues Market risk arises largely from the acceptance of client transactions in financial instruments as principal but also derives from the Company's structural exposures to interest rates and foreign currency rates

The board's risk appetite sets the tolerance for market risk in each of the main asset classes in which the Company transacts and also in relation to elements of its structural risk, detailed risk limits are in place to ensure that the risk appetite is not exceeded.

The Company has transactional risk management systems in place which allow monitoring of exposure to all instruments' market risk in real time enabling the Company to hedge as the board agreed risk limits are approached

The Company monitors and hedges client activity in broad groups or asset classes FX, Equities, Indices, Commodities and Bonds/Interest rates A detailed substructure of limits is maintained for each class

#### Hedging activity

The Company's net position in its trading book reflects a significant natural hedge as individual clients frequently take opposing trading positions, but when net client positions in contracts reach pre-determined levels the Company will then hedge its exposure in the market The Company retains a risk in the fluctuations of market prices up to the risk limits in each contract

The directors have considered the financial effect on the Company of significant overnight price moves in each and all of the assets classes and concluded that it would have no material effect on long term profitability As such, disclosure of market price sensitivity analysis has not been presented

#### Structural Interest rate risk

The Company also has interest rate risk in non-trading book financial assets which are not held at fair value Such non-trading book assets earn interest at fixed or floating rates

The Company has no fixed rate financial assets (2013 – £nil)

## Notes to the Financial Statements

### 25 FINANCIAL RISK MANAGEMENT (continued)

Floating rate financial assets comprise bank balances, balances with brokers (trade receivables) and balances due to clients (trade payables) all with interest rates linked to relevant bank rates

The following table sets out floating interest rate exposure of the financial assets and liabilities of the Company. The figures include segregated client accounts and client money at banks

	2014	2013
	£	£
Cash and equivalents	53,668,361	43,188,798
Trade receivables - due from brokers	26,141,150	21,905,242
Trade payables - amounts due to clients	(104,894,843)	(69,569,619)
Trade payables - amount due to brokers	(37,037,925)	(41,752,718)
Total floating rate	<u>(62,123,256)</u>	<u>(46,228,297)</u>

All assets and liabilities have a re-pricing maturity of less than one year

Sensitivity analysis has not been presented as the impact of possible market movements on the Company's revenue is considered to be immaterial

#### Structural Currency risk

The Company has no material overseas branches or subsidiaries thus structural currency risk only arises where profits or losses accumulate in foreign currency. The board has set the risk appetite for such risks as low and the risk limits are consequently small.

The Company reduces this risk actively by converting foreign currency profits and losses to Sterling at regular intervals

The directors have considered the financial effect on the Company of an unfeasibly large change in foreign exchange rates and concluded that it would have no material effect on profitability. As such, disclosure of exchange rate sensitivity analysis has not been presented

#### CREDIT RISK

Credit risk refers to the risk that a counterparty, including its clients, will default on its contractual obligations resulting in financial loss to the Company

The Company's risk management framework ensures it deals with creditworthy eligible market counterparties and that it obtains sufficient cash collateral to mitigate the risk of financial loss from defaults by retail or professional clients

Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk committee and by the board. The credit-worthiness of each counterparty broker is assessed on an ongoing basis. In addition a periodic formal review is carried out by the risk committee on a six monthly basis and more frequently if considered necessary

The Company extends minimal credit to professional clients and does not extend credit to retail clients

## Notes to the Financial Statements

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### **25 FINANCIAL RISK MANAGEMENT (continued)**

The Company's management of retail client credit risk relies largely upon automated close out, so that accounts which have insufficient margin available to maintain the positions open are either required to provide additional funds or to have those positions reduced

A provision for impairment of certain historic receivables is included in the operating expense of the Company profit and loss account. The directors are of the opinion that none of the financial assets of the Company are past due or impaired further than the provision made.

The directors are confident that the credit risks faced by the Company are not concentrated in a small number of clients or brokers, either by value or by quantity, so as to represent a material risk to the Company

#### **LIQUIDITY RISK**

Liquidity risk represents the Company's inability to meet its payments to brokers or clients when they are due. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework. The Company manages liquidity risk by maintaining adequate reserves and by monitoring forecast and actual cash flows

### **26 FINANCIAL INSTRUMENTS**

The Company's principal financial instruments, other than derivative transactions, comprise of cash balances held with banks and brokers and with other debtors and creditors arising through the normal course of business. Derivative transactions with brokers are entered into in the normal course of business to hedge market exposures resulting from derivative transactions entered into with clients

The fair value of financial assets and financial liabilities are determined as follows.

The fair value of non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes from similar instruments

The carrying amounts and corresponding fair values of financial assets and financial liabilities in the financial statements are designated into the following categories

## Notes to the Financial Statements

### Financial Assets

	Carrying value		Fair value	
	2014	2013	2014	2013
	£	£	£	£
<i>Loans and receivables - measured at amortised cost</i>				
- trade debtors	2,242,757	1,270,842	2,242,757	1,270,842
- deferred tax	934,288	1,027,282	934,288	1,027,282
- other debtors	2,583,529	2,521,690	2,583,529	2,521,690
<i>Fair value through profit and loss - held for trading</i>				
- trade debtors - derivatives	26,141,150	21,905,242	26,141,150	21,905,242
- investments - listed	57,054,366	72,979,872	57,054,366	72,979,872
- investments - unlisted	11,012,085	1,295,752	11,012,085	1,295,752
<b>Total</b>	<b>99,968,175</b>	<b>101,000,681</b>	<b>99,968,175</b>	<b>101,000,681</b>

### Financial Liabilities

	Carrying value		Fair value	
	2014	2013	2014	2013
	£	£	£	£
<i>Measured at amortised cost</i>				
- other creditors	1,649,150	289,059	1,649,150	289,059
- accruals	2,134,375	1,814,400	2,134,375	1,814,400
<i>Fair value through profit and loss - held for trading</i>				
- trade creditors - derivatives	141,932,768	111,322,337	141,932,768	111,322,337
- investments - listed	2,659,965	24,867,947	2,659,965	24,867,947
<b>Total</b>	<b>148,376,257</b>	<b>138,293,743</b>	<b>148,376,257</b>	<b>138,293,743</b>

All financial assets and liabilities of the Company are valued using Level 1 prices (2013 Level 1) except unlisted investments which are valued using Level 2 prices

No significant transfers occurred between Level 1 and Level 2 in the year.

Level 1 prices are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 prices are defined as inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).

### Maturity

All amounts shown as creditors on the balance sheet and detailed in the creditors note (note 15) have remaining contractual maturities of less than one year (2013. less than one year) The creditor balances are based on the undiscounted cash flows of financial liabilities based upon the earliest date on which the Company can be required to pay.

## Notes to the Financial Statements

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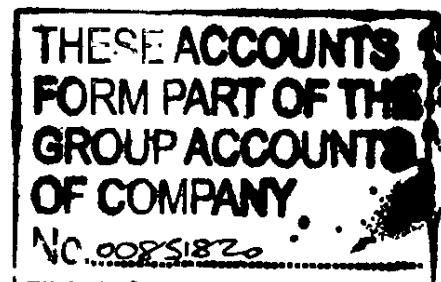
Liquidity risk management has a short-term outlook as all of the financial liabilities have contractual maturities of less than one year.

No payments were made during 2014 (2013: £nil) as a result of entering into guarantees or commitments. Derivative financial instruments are settled within one year of the balance sheet date on a gross basis and included in trade debtors and trade creditors

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**KYTOS LIMITED**  
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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# KYTOS LIMITED

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## **KYTOS LIMITED**

### **Directors**

Matthew Dontzin (resigned 24 March 2015)  
Jane Pearce (resigned on 19 November 2014)  
Jeremy Isaacs  
Richard Thomas (resigned on 19 November 2014)  
Peter Sugarman (appointed on 19 November 2014)  
Joanne Isaacs (appointed on 5 December 2014)  
Katherine Nagioff (appointed on 5 December 2014)

### **Legal advisors in Jersey**

Ogier  
44 Esplanade  
St Helier  
Jersey  
JE4 9WG

### **Registered office**

44 Esplanade  
St Helier  
Jersey  
JE4 9WG

### **Secretary**

Elian Fund Services (Jersey) Limited  
44 Esplanade  
St Helier  
Jersey  
JE4 9WG

### **Administrator**

Elian Fund Services (Jersey) Limited  
44 Esplanade  
St Helier  
Jersey  
JE4 9WG



## **KYTOS LIMITED**

### **Directors Report**

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2014

#### **Activities**

Kytos Limited ("the Company") was incorporated for the purpose of acquiring a majority interest in Monecor (London) Limited. The Company was incorporated on 28 September 2009 under the Companies (Jersey) Law 1991, registered number 104106. The Company acquired a majority interest in Monecor (London) Limited in October 2009 and incorporated Monecor (Gibraltar) Limited in October 2012. The Company, Monecor (London) Limited, Monecor (Gibraltar) Limited and Monecor (London) Limited's subsidiaries are collectively referred to as the "Group" in this report and audited consolidated financial statements.

Monecor (Gibraltar) Limited was dissolved during the year following the approval of the Board of Directors on 5 December 2013.

#### **Results and Dividend**

The results for the year are set out on page 7.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2014 (2013 £Nil).

#### **Directors**

The Directors in office during the year and when these financial statements were approved are shown on page 2.

#### **Employees**

The Company had no employees during the year.

## KYTOS LIMITED

### Statement of Directors' Responsibilities

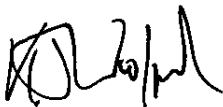
The directors are responsible for the preparation of financial statements in accordance with applicable law and regulations

Jersey Company law requires the directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Group are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to

- i) select suitable accounting policies and then apply them consistently,
- ii) make judgements and estimates that are reasonable and prudent,
- iii) specify which generally accepted accounting principles have been adopted in their presentation, and
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors are responsible for keeping accounting records which are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



Alternate Director  
29 September 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KYTOS LIMITED**

We have audited the financial statements of Kytos Limited for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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 auditor**

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 group'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. 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 group's affairs as at 31 December 2014 and of the group's loss for the year then ended,
- have been properly prepared in accordance with IFRSs as issued by the IASB, and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion

- proper accounting records have not been kept by the parent company, or proper 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
- we have not received all the information and explanations we require for our audit



James Polson  
for and on behalf of Deloitte LLP  
Chartered Accountants  
London, UK  
30 September 2015

**KYTOS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

		<b>1 January 2014 to 31 December 2014 GBP</b>	<b>1 January 2013 to 31 December 2013 GBP</b>
	<b>Notes</b>		
<b>TURNOVER</b>	5	22,778,126	17,329,102
<b>EXPENSES</b>	2,6	(21,270,321)	(17,301,932)
<b>OPERATING PROFIT</b>		<u>1,507,805</u>	<u>27,170</u>
Interest income		239,842	201,237
Interest expense		(106,098)	(90,685)
<b>NET OPERATING PROFIT FOR THE YEAR BEFORE TAX</b>		<u>1,641,548</u>	<u>137,722</u>
Tax benefit/(expense) on ordinary activities		200,174	(415,738)
<b>GAIN/(LOSS) AND COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<u>1,841,722</u>	<u>(278,016)</u>
<b>Attributable to:</b>			
Equity holders of the parent		<u>1,841,722</u>	<u>(278,016)</u>

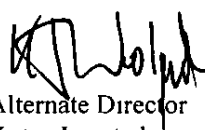
All activities are derived from continuing operations

The notes on pages 11 to 26 form part of these audited consolidated financial statements

**KYTOS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2014**

	Notes	31 December 2014 GBP	31 December 2013 GBP
<b>NON-CURRENT ASSETS</b>			
Goodwill	7	2,527,780	118,173
Tangible fixed assets	8	3,019,826	2,898,991
Intangible assets		727,055	274,389
		<u>6,274,661</u>	<u>3,291,553</u>
<b>CURRENT ASSETS</b>			
Other receivables and other assets	9	32,412,501	25,031,628
Investments - listed		57,054,366	72,979,872
Investments - unlisted		11,012,085	1,295,752
Cash and cash equivalents	10	53,706,257	43,648,019
		<u>154,185,209</u>	<u>142,955,271</u>
<b>TOTAL ASSETS</b>		<u><b>160,459,870</b></u>	<u><b>146,246,824</b></u>
<b>EQUITY</b>			
Stated capital accounts	12	5,983,983	5,983,983
Retained earnings		3,645,486	1,794,092
		<u>9,629,469</u>	<u>7,778,075</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Investments - listed		2,659,965	24,867,947
Amounts owed to clients		104,894,843	69,569,619
Other payables	11	43,275,594	43,981,183
Other provisions		-	50,000
		<u>150,830,402</u>	<u>138,468,749</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>160,459,871</b></u>	<u><b>146,246,824</b></u>

The financial statements on pages 7 to 26 were approved by the board of directors of Kytos Limited on 29 September 2015 and signed on its behalf by

  
 Alternate Director  
 Kytos Limited

The notes on pages 11 to 26 form part of these audited consolidated financial statements

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

	<b>Stated Capital Accounts GBP</b>	<b>Retained Earnings GBP</b>	<b>Minority interests GBP</b>	<b>Total GBP</b>
Balance at 1 January 2014	5,983,983	1,794,092	-	7,778,075
Gain and comprehensive income for the year	-	1,841,722	-	1,841,722
Share based awards	-	9,670	-	9,670
Balance at 31 December 2014	<u>5,983,983</u>	<u>3,645,484</u>	<u>-</u>	<u>9,629,469</u>

	<b>Stated Capital Accounts GBP</b>	<b>Retained Earnings GBP</b>	<b>Minority interests GBP</b>	<b>Total GBP</b>
Balance at 1 January 2013	4,398,300	2,081,778	1,585,681	8,065,759
Issue of Growth Shares	2	-	-	2
Decrease in minority share	1,585,681	-	(1,585,681)	-
Loss and comprehensive income for the year	-	(278,016)	-	(278,016)
Share based awards	-	(9,670)	-	(9,670)
Balance at 31 December 2013	<u>5,983,983</u>	<u>1,794,092</u>	<u>-</u>	<u>7,778,075</u>

The notes on pages 11 to 26 form part of these audited consolidated financial statements

**KYTOS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

		<b>1 January 2014 to 31 December 2014 GBP</b>	<b>1 January 2013 to 31 December 2013 GBP</b>
	<b>Notes</b>		
<b>Net cash generated from operating activities</b>	14	<u>14,755,677</u>	<u>1,733,391</u>
<b>Cash flow from investing activities</b>			
Interest income received		239,842	221,805
Interest expense paid		(106,098)	(90,685)
Net purchase of investments		-	(18,625)
Purchase of tangible assets		(1,807,344)	(1,949,041)
Development costs capitalised		(614,232)	(157,992)
Acquisition of goodwill		(2,409,607)	-
<b>Net cash used in investing activities</b>		<u>(4,697,439)</u>	<u>(1,994,538)</u>
<b>Cash flows from financing activities</b>			
Issue of shares		-	2
<b>Net cash generated from financing activities</b>		<u>-</u>	<u>2</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		10,058,238	(261,145)
<b>Cash and cash equivalents at beginning of year</b>		43,648,019	43,909,164
<b>Cash and cash equivalents at end of year</b>	10	<u>53,706,257</u>	<u>43,648,019</u>

The notes on pages 11 to 26 form part of these audited consolidated financial statements



## **KYTOS LIMITED**

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

#### **Note 1 Incorporation**

Kytos Limited is registered in Jersey, Channel Islands. The Company was incorporated on 28 September 2009 under the Companies (Jersey) Law 1991, registered number 104106.

#### **Note 2 Summary of significant accounting policies**

##### **2.1 Basis of preparation**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied throughout the year.

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and have been prepared under the historical cost convention.

##### **Adoption of new and revised standards**

The following new and revised IFRS, and interpretations thereof, have been adopted during the current year. None of these new and revised standards and interpretations have significant impact on the financial statements of the Group.

##### **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

##### **Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32**

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively.

##### **Annual Improvements 2010-2012 Cycle**

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

## **KYTOS LIMITED**

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

#### **2.1 Basis of preparation (continued)**

##### **Adoption of new and revised standards (continued)**

##### **IFRS in issue but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

##### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Group is yet to assess IFRS 9's full impact.

#### **2.2 Basis of consolidation**

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are eliminated in full.

An entity ('investee') is controlled by the Group and deemed to be a subsidiary when the Group has

- the power over its investee,
- exposure or rights to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's returns.

#### **2.3 Going Concern**

The Group meets its day to day working capital requirements through its own funds. The Group does not have any short term or long term debt or bank facilities.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

#### **2.4 Revenue recognition**

Revenue comprises market-making profits earned from trading in contracts for difference and financial spread betting together with associated commissions, funding and other income and expenses derived from these financial instruments.

## **KYTOS LIMITED**

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

Revenue is recognised in the consolidated statement of comprehensive income when it is considered probable that the economic benefits associated with the transaction will flow to the Group and can be reliably measured

#### **2.5 Trade receivables and payables**

Trade receivables and payables are composite derivative and non-derivative financial assets with fixed or determinable payments and include amount due to or from customers or brokers on cash, closed and open positions. These amounts are initially measured at fair value and are netted against other assets and liabilities with the same counterparty where a legally enforceable netting agreement is in place.

#### **2.6 Impairment of receivables**

The Group reviews its assets and liabilities at the statement of financial position date and assess whether an allowance for impairment should be recorded in the consolidated statement of comprehensive income.

Estimation of the amount and timing of the future cash flows are required when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

#### **2.7 Depreciation**

Depreciation is provided to write off the cost, or valuation less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Furniture and fixtures	5 years
Computer equipment	4 years
Computer software	3 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicated that the carrying value may not be recoverable and are written down immediately to the recoverable amount.

#### **2.8 Operating leases**

Leases are classified as operating leases when the lessor retains substantially all of the risks and benefits of ownership of the asset. Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income over the term of the lease.

## **KYTOS LIMITED**

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

#### **Note 2 Summary of significant accounting policies (continued)**

##### **2.9 Taxation**

The deferred tax asset as stated in note 9, primarily represents the sum of tax on losses carried forward

Taxable losses differ from net losses as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods or items that are never taxable. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the date of the statement of financial position.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gain and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

##### *Jersey Taxation*

Profits arising in the Company from 1 January 2014 until 5 December 2014 will be subject to Jersey tax at the rate of 0% (2013: 0%). On 5 December 2014 the central management and control of the Company moved to the UK. On that date the Company ceased to be subject to Jersey tax and instead became subject to UK tax.

##### **2.10 Betting Duty**

3% duty is payable on financial spread bets placed at Monecor (London) Limited. The betting duty expense is recorded within operating expenses.

##### **2.11 Research and Development**

Software expenditure incurred on the research and development of the Group's trading, settlement and risk management system is capitalised to the extent that the asset delivers benefits at least as great as the amount capitalised and defers the revenue expenditure. All other research and development is written off in the year in which it is incurred.

##### **2.12 Expenses**

All items of expenses are recognised on an accruals basis. Provisions are recognised when

- the Group has a present obligation (legal or constructive) as a result of past events,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation after taking into account relevant risks and uncertainties, which, in the opinion of the Group's management, will affect the amount of the provision at the time of its settlement.

## **KYTOS LIMITED**

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

#### **Note 2 Summary of significant accounting policies (continued)**

##### **2.13 Foreign currency translation**

###### *Functional and presentation currency*

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency') This is the GBP, which is most reflective of the Group's cash flows

###### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date

Foreign exchange gains and losses arising from translation are included in the consolidated statement of comprehensive income

##### **2.14 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets, except for maturities greater than 12 months after the financial position date These are classified as non-current assets The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the consolidated statement of financial position

##### **2.15 Offsetting financial instruments**

Financial instruments are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

##### **2.16 Payables and accrued expenses**

Payables and accrued expenses are recognised initially at fair value less transaction costs, if any These are subsequently measured at amortised cost using the effective interest method Given the nature of payables, however, and the short length of time involved between their origination and settlement, their amortised cost is the same as their fair value at the date of origination

##### **2.17 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position include cash in hand, demand deposits and short-term deposits maintained with banks For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

## **KYTOS LIMITED**

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

#### **Note 2 Summary of significant accounting policies (continued)**

##### **2.18 Capital accounts and capital management**

The capital of the Group is managed to ensure that it will be able to continue as a going concern in the future. The shareholders may, but are under no obligation to, invest additional monies into the Group in order to ensure that the Group can meet its ongoing financial obligations. These may be contributed at such times as the Group may require for working capital purposes or for meeting any obligation of the Group.

##### **2.19 Goodwill**

On acquisition, the assets, liabilities and contingent liabilities of the subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to consolidated statement of comprehensive income in the period of acquisition.

##### **2.20 Share based payments**

The Group has issued equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

##### **2.21 Financial instruments at fair value through profit or loss**

Financial instruments relate to listed and unlisted investments and derivative financial instruments such as financial spread betting contracts and contracts for difference and are classified as held for trading if they are expected to settle in the short term.

Financial assets at fair value through profit or loss are initially recognised at fair value on the date of acquisition. Transaction costs are expensed as incurred in the consolidated statement of comprehensive income. Subsequent to initial recognition, all financial assets under this category are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets are presented in the consolidated statement of comprehensive income. Fair value is the price that would be received to sell the financial asset in an orderly transaction between market participants at the measurement date.

Financial assets are derecognised when the right to receive cash flows from the investment has expired and the relevant Group entity has transferred substantially all risks and rewards of ownership.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if

- it has been incurred principally for the purpose of repurchasing it in the near term,
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

## **KYTOS LIMITED**

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

#### **Note 2 Summary of significant accounting policies (continued)**

##### **2.21 Financial instruments at fair value through profit or loss (continued)**

A financial liability, other than a financial liability held for trading, may be designated at fair value through profit or loss upon initial recognition if

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise,
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in the consolidated statement of comprehensive income. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Fair value is determined in the manner described in Note 4.

#### **Note 3 Use of financial instruments**

The Group is exposed to a number of risks arising from the various financial instruments it holds. The main risks to which the Group is exposed are market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The risk management policies employed by the Group to manage these risks are discussed below.

##### **(a) Market risk**

###### *(i) Currency risk*

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to GBP.

Currency risk arises from future commercial transactions, recognised assets and liabilities. It is the policy of the Group not to enter into any currency hedging transactions.

The Group's significant assets and liabilities are held in GBP. As such, disclosure of exchange rate sensitivity analysis has not been presented.

## KYTOS LIMITED

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### Note 3 Use of financial instruments (continued)

##### (a) Market risk (continued)

###### (ii) Interest rate risk (continued)

The Group has interest rate risk in non-trading book financial assets which are not held at fair value. Such non-trading book assets earn interest at fixed or floating rates.

The Group has no fixed rate financial assets (2013 - GBP nil).

Floating rate financial assets comprise bank balances, balances with brokers and balances due to clients all with interest rates linked to relevant bank rates.

The following table sets out floating interest rate exposure of the financial assets and liabilities of the Group. The figures include segregated client accounts and client money at banks.

	31 December 2014 GBP	31 December 2013 GBP
Cash and cash equivalents	53,671,259	44,101,585
Other receivables and other assets - due from brokers	26,141,150	21,905,242
Amounts owed to clients	(104,894,843)	(69,569,619)
Other payables - amounts due to brokers	(37,037,925)	(41,752,718)
	<u>(62,120,359)</u>	<u>(45,315,510)</u>

All assets and liabilities have a re-pricing maturity of less than one year.

Sensitivity analysis has not been presented as the impact of possible market movements on the Group's revenue is considered to be immaterial.

###### (iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as fair value through profit or loss. The basis of the valuation of the Group's financial instruments held at fair value are set out in Note 4.

##### (b) Credit risk

Credit risk arises from cash and cash equivalents, outstanding receivables and committed transactions. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by the counterparties. The Group's maximum exposure to credit risk is represented by the total financial assets in the consolidated statement of financial position.



## KYTOS LIMITED

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### Note 3 Use of financial instruments (continued)

##### (c) Liquidity risk

Liquidity risk represents the Group's inability to meet its payments to brokers or clients when they are due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework. The shareholders may, but are under no obligation to, invest additional monies into the Group in order to ensure that the Group can meet its ongoing financial obligations. These may be contributed at such times as the Group may require for working capital purposes or for meeting any obligation of the Group; accordingly, the Directors consider that the Group has minimal liquidity risk.

#### Note 4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's financial assets and financial liabilities that are measured at fair value:

##### At 31 December 2014

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
<b>Financial Assets</b>				
Other receivables and other assets - derivatives	26,141,150	-	-	26,141,150
Investments - listed	57,054,366	-	-	57,054,366
Investments - unlisted	-	11,012,085	-	11,012,085
<b>Financial Liabilities</b>				
Other payables and amounts owed to clients - derivatives	141,932,768	-	-	141,932,768
Investments - listed	2,659,965	-	-	2,659,965

**KYTOS LIMITED****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014****Note 4 Fair value estimation (continued)****At 31 December 2013**

	<b>Level 1 GBP</b>	<b>Level 2 GBP</b>	<b>Level 3 GBP</b>	<b>Total GBP</b>
<b>Financial Assets</b>				
Other receivables and other assets - derivatives	21,905,242	-	-	21,905,242
Investments - listed	72,979,872	-	-	72,979,872
Investments - unlisted	-	1,295,752	-	1,295,752
<b>Financial Liabilities</b>				
Other payables and amounts owed to clients - derivatives	111,322,337	-	-	111,322,337
Investments - listed	24,867,947	-	-	24,867,947

Listed and unlisted investments, spread betting contracts and other derivative financial instruments are stated at fair value determined by reference to third party market values (official settlement price)

There were no significant transfers between Level 1 and Level 2 during the year

The Group has not disclosed the fair values of financial instruments measured at amortised cost such as short-term receivables and payables, because their carrying amounts are a reasonable approximation of fair values

**Note 5 Turnover**

All turnover is attributable to the principal activities of the Group and was generated in the United Kingdom

**Note 6 Expenses**

	<b>31 December 2014 GBP</b>	<b>31 December 2013 GBP</b>
Salaries	6,028,119	5,782,043
Depreciation and amortisation	1,848,075	1,538,348
Write-off of tangible assets	-	75,000
Audit fee	113,500	85,000
Administration fees	9,273	18,743
Director's fees	4,000	2,055
Legal and professional fees	49,429	337,504
Insurance	2,325	2,325
Sundry expenses	785	1,505
Bank charges	134	149
Other administration expenses	13,214,681	9,459,260
	<b>21,270,321</b>	<b>17,301,932</b>

**KYTOS LIMITED****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014****Note 7 Goodwill**

	<b>31 December 2014</b> <b>GBP</b>	<b>31 December 2013</b> <b>GBP</b>
Goodwill	<u>2,527,780</u>	<u>118,173</u>

During the year, Monecor (London) Limited acquired 100% of Ariel Systems Group Limited's shares recognising goodwill amounting to GBP 1,823,629. In addition, the Group has acquired GBP 585,978 of goodwill in respect of Ariel Systems Group Limited's subsidiary, Ariel Communications Limited. There were no indications that the goodwill was impaired as at 31 December 2014.

**Note 8 Tangible fixed assets**

	<b>31 December 2014</b> <b>GBP</b>	<b>31 December 2013</b> <b>GBP</b>
Net book value at beginning of the year	2,898,991	2,563,298
Additions	1,807,344	1,949,041
Write-off of tangible assets	<u>-</u>	<u>(75,000)</u>
	4,706,335	4,437,339
Depreciation	(1,686,509)	(1,538,348)
Net book value	<u>3,019,826</u>	<u>2,898,991</u>

**Note 9 Other receivables and other assets**

	<b>31 December 2014</b> <b>GBP</b>	<b>31 December 2013</b> <b>GBP</b>
Trade debtors		
- brokers	26,141,150	21,905,242
- clients	2,242,757	1,270,842
Sundry debtors	2,750,971	828,262
Deferred tax	1,277,623	1,027,282
	<u>32,412,501</u>	<u>25,031,628</u>

**KYTOS LIMITED****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014****Note 10 Cash and cash equivalents**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>GBP</b>	<b>GBP</b>
Cash in hand and at bank	15,617,196	12,615,366
Client money held	38,089,061	31,032,653
	<u>53,706,257</u>	<u>43,648,019</u>

**Note 11 Other Payables**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>GBP</b>	<b>GBP</b>
Brokers	37,037,925	41,752,718
Loans and overdrafts	1,740,000	-
Administration fees	-	250
Other creditors and accruals	4,497,669	2,228,215
	<u>43,275,594</u>	<u>43,981,183</u>

**Note 12 Stated Capital Accounts**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>GBP</b>	<b>GBP</b>
<b>Allotted, issued and fully paid</b>		
115,420,524 Ordinary Shares and 31,489,302 Growth Shares	5,983,983	5,983,983
	<u>5,983,983</u>	<u>5,983,983</u>

On 23 January 2013, a special resolution was signed by the members to subdivide the 1,025 Ordinary shares to 91,210 37 Ordinary shares (rounded to the nearest whole number of shares for each shareholder) resulting to a total of 93,490,630 Ordinary shares

On 16 April 2013, the Company issued 21,929,894 Ordinary shares and 27,753,789 Growth Shares in exchange for Monecor (London) Limited's Ordinary and Growth Shares resulting to Monecor (London) Limited being 100% owned by the Company. The fair value of the Monecor (London) Limited's Ordinary and Growth Shares acquired as a result of the exchange is deemed equivalent to the share of the Minority Interest of GBP 1,585,681 at the beginning of the year

In May 2013, the Company issued 3,735,513 Growth Shares in exchange for a consideration of GBP 2 and granted 850,000 stock appreciation rights for GBP nil consideration

# KYTOS LIMITED

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### Note 13 Analysis of tax charge in the year

	31 December 2014 GBP	31 December 2013 GBP
<b>Current tax</b>		
UK Corporation tax charge on profit for the year	31,079	38,192
Adjustment in respect of previous periods	1	-
	<u>31,080</u>	<u>38,192</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(57,253)	227,693
Prior period adjustment	(171,128)	(67)
Change in tax rate	(2,872)	149,919
	<u>(231,253)</u>	<u>377,545</u>
<b>Total deferred tax</b>	<u>(231,253)</u>	<u>377,545</u>
<b>Tax on profit on ordinary activities</b>	<u>(200,174)</u>	<u>415,737</u>

### Factors affecting tax charge of the year

The tax assessed for the year is lower than (2013 – lower than) the average standard rate of corporation tax in the UK 21.5% (2013 – 23.25%). The differences are explained below

	31 December 2014 GBP	31 December 2013 GBP
Profit on ordinary activities before tax	<u>1,641,548</u>	<u>1,198,819</u>
Profit on ordinary activities multiplied by average standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	352,933	278,725
<b>Effects of:</b>		
Expenses not deductible for tax purposes	147,197	16,121
Capital allowances in excess of depreciation	(3,935)	66,572
Research and development tax relief	(342,894)	(50,236)
Losses utilised	(5,552)	(272,990)
Mid-year migration average tax rate difference	454	-
Other timing differences	(117,125)	-
Origination & reversal of timing differences	(57,253)	227,693
Prior period adjustment	(171,128)	(67)
Change in tax rate	(2,872)	149,919
<b>Tax on profit on ordinary activities</b>	<u>(200,174)</u>	<u>415,737</u>

**KYTOS LIMITED****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014****Note 14 Reconciliation of profit for the year to net cash generated from operating activities**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>GBP</b>	<b>GBP</b>
Operating profit for the year	1,507,805	27,170
Write-off of tangible assets	-	75,000
Depreciation and amortisation charges	1,848,075	1,626,834
(Decrease)/increase in provisions	(50,000)	11,250
(Increase)/decrease in receivables	251,258	3,999,768
Increase/(decrease) in payables	10,582,626	(4,006,631)
Taxation benefit received	615,912	-
Net cash generated from operating activities for the year	<u>14,755,677</u>	<u>1,733,391</u>

**Note 15 Financial commitments**

At 31 December the Group had annual commitments under non-cancellable operating leases as follows

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>GBP</b>	<b>GBP</b>
Expiry date		
- within 1 year	13,390	1,791
- between 2 and 5 years	<u>329,540</u>	<u>249,540</u>
	<u>342,930</u>	<u>251,331</u>

**Note 16 Related party transactions**

Jane Pearce was a director of Elian Fund Services (Jersey) Limited, which provides corporate administration services to the Company, including the provision of the secretary Administration and accountancy fees of GBP 9,273 (31 December 2012 GBP 18,743) were incurred during the year, of which GBP nil (31 December 2013 GBP 250) was outstanding at the end of the year

Richard Thomas was a partner of Ogier, the Legal Advisor to the Partnership until 31 January 2011, from which time he became a consultant Legal fees of GBP 2,512 (31 December 2013 GBP 14,147) were incurred during the year, of which GBP nil (31 December 2013 GBP nil) was outstanding at the end of the year Director's fees of GBP 4,000 were incurred during the year (2013 GBP 2,055) of which GBP nil was outstanding at the end of the year (2013 GBP 2,055)

During the year the Group paid management fees of £305,000 to JRJ Ventures LLP The Group and JRJ Ventures LLP are subject to common control

Some directors had trading accounts with Monecor (London) Limited during the year These were subject to the same terms and conditions as other clients of the Group

## **KYTOS LIMITED**

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

#### **Note 16 Related party transactions (continued)**

On 16 December 2014 the Company entered into a two year interest free loan agreement with Joanne Isaacs, a director of the Company. As at 31 December 2014, the Company owed Joanne Isaacs £240,000 under this loan agreement.

The Company has two material transactions with its wholly-owned subsidiary Monecor (London) Limited, both of which eliminate on consolidation. The first is a loan facility agreement under which the Company owed £1,339,539 to Monecor (London) Limited as at 31 December 2014. The second is a hedging agreement under which the Company has agreed to i) protect Monecor (London) Limited against losses on certain index-related positions in return for a fee and ii) place cash margin at Monecor (London) Limited to collateralise its obligations under that agreement.

The Company's wholly-owned subsidiary, Monecor (London) Limited, has entered into arrangements to incur costs on behalf of, and receive unbilled services from, its subsidiary Ariel Communications Limited. These arrangements largely eliminate on consolidation. The outstanding balance owed from Monecor (London) Limited to Ariel Communications Limited as at 31 December 2014 was £766,886.

#### **Note 17 Investment in subsidiaries**

The principal subsidiaries of the Company as at 31 December 2014 are as follows:

##### **Principal Subsidiary undertakings held directly:**

<b>Name</b>	<b>Country of incorporation</b>	<b>Class</b>	<b>Proportion of ownership interest</b>
Monecor (London) Limited	United Kingdom	Ordinary shares	100%

##### **Principal Subsidiary undertakings held indirectly:**

<b>Name</b>	<b>Country of incorporation</b>	<b>Class</b>	<b>Proportion of ownership interest</b>
Ariel Systems Group Limited	United Kingdom	Ordinary shares	100%
Ariel Communications Limited	United Kingdom	Ordinary shares	100%
TheAppStudio.com Limited	United Kingdom	Ordinary shares	100%

During the year, Monecor (London) Limited acquired 100% of the Ariel Systems Group Limited's shares for a consideration of GBP 4,106,161. Ariel Systems Group Limited owns 100% of the issued shares of Ariel Communications Limited and TheAppStudio.com Limited.

#### **Note 18 Ultimate parent company and controlling party**

There is no ultimate parent company and, in the opinion of the directors, there is no controlling party.

## **KYTOS LIMITED**

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

#### **Note 19 Subsequent events**

On 10 March 2015, the Board of Directors approved Monecor (London) Limited's purchase of Alpari UK Limited's client list. The consideration for this purchase included a fixed upfront payment and a variable payment.

On 24 March 2015, the Board of Directors authorised the revision of the Company's Memorandum and Articles of Association to reflect the following authorised share capital:

- (i) 160,000,000 ordinary shares of GBP 0.00001 par value per share
- (ii) 30,000,000 A ordinary shares of GBP 0.00001 par value per share
- (iii) 100,000,000 Growth shares of GBP 0.0000001 par value per share
- (iv) 1,200,000,000 Deferred shares of GBP 0.0000001 par value per share

In April 2015, the Company issued 9,150,000 A ordinary shares for a total consideration of GBP 92