REGISTERED NUMBER: 04240845

XCONNECT TRADING LTD

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

XCONNECT TRADING LTD

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

XCONNECT TRADING LTD

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015

Directors:	P K White A N Chorley
Registered office:	8 Old Jewry 1st Floor London EC2R 8DN
Registered number:	04240845
Auditors:	The Gallagher Partnership LLP, Statutory Auditor 69-85 Tabernacle Street London EC2A 4RR

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their strategic report for the year ended 31 December 2015.

The purpose of the Strategic Report is to inform shareholders and help them assess how the directors have performed their duties to promote the success of the company. The report, together with the further information in the Directors' Report, provides:

• A fair and balanced review of the company's business including;
 - the development and performance of the company's business during the financial period
 - the position of the company at the end of the period

• A description of the principal risks and uncertainties facing the company

Review of business
The principal activity of the company is to provide administration and market access to professional trading teams and brokers on world wide derivative exchanges and secondary securities markets. The turnover of the company consists of amounts receivable for services provided to professional trading teams and brokerage income. The company is authorised and regulated by the Financial Conduct Authority.

Operational risk losses through a failure related to systems, processes or staff or those external relationships relied upon to operate the business are always conceivable. However this risk is mitigated by such internal procedures/reconciliations and internal controls which are documented and also through the segregation of duties and authorisations.

The company's principal financial instruments comprise cash in liquid resources and trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risk arising from the company's financial instruments is limited exposure to interest rate risk, credit risk and foreign currency risk. The company finances its operations through a mixture of share capital, retained profits and income receivable. Liquidity risk is managed by maintaining a suitable capital balance.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning their creditit rating and the regular monitoring of amounts outstanding.

Trade creditor liquidity risk is managed by ensuring sufficient funds are available to meet amounts as they fall due.

The company is only minimally exposed to interest rate risk with regard to holdings in cash. Cash holdings are placed on deposit at variable rates. The company does not have any borrowings that are subject to interest charges nor repayable in the short term, and surplus funds are placed on short term deposits.

Foreign currency risk is the risk that the company will sustain losses through adverse movements in currency exchange rates. The company manages this foreign currency risk by converting non-sterling income to sterling promptly upon receipt.

Principal risks and uncertainties
The company is required by its regulator, The Financial Conduct Authority, to make its disclosure risk policy available in accordance with Pillar 3 of the capital requirement directive. The disclosure is attached as an appendix to these financial statements and the disclosure is un-audited.

Development and financial performance during the year
The results for the year and the financial position at the year end were considered satisfactory by the directors who hope to maintain profitability in the coming year.

The company continues to invest in its technology architecture in order to ensure that it maintains a competitive and high quality of service.

The financial position of the company at the year end
At the year end the company had a post-tax profit for the year of £197,009 and an increase in shareholders' funds from £1,258,792 to £1,455,801.

XCONNECT TRADING LTD

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Key performance indicators
Management considers the primary key performance indicators to be cash flows amounting to £1,530,813 (2014:£1,602,265) and transaction volumes undertaken through the trading platforms it supports which is measured by turnover £10,586,307 (2014:£11,717,476). Budgeting includes expenditure on technology projects to enhance the longer term development of the business.

Future developments
The company continues to invest in its staff through both training and through the reorganistion of their responsibilities. The board have directed the technology team to continue to focus on improving the efficiency of the business.

On behalf of the board:

P K White - Director

20 April 2016

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report with the financial statements of the company for the year ended 31 December 2015.

Dividends
No dividends will be distributed for the year ended 31 December 2015.

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

It is proposed that the retained profit of £197,009 is transferred to reserves.

Directors
The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

P K White
A N Chorley

Charitable donations and expenditure
Charitable donations during the year amounted to £6,056, (2014: £Nil). No contribution to political donations were made during the year.

Disclosure in the strategic report
As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 1 and 2. These matters relate to financial instruments and future developments, which otherwise would be required to be shown in the directors' report.

Statement of directors' responsibilities
The directors are responsible for preparing the Report of the Directors 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless 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 accounting estimates that are reasonable and prudent;
- 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.

Statement as to disclosure of information to auditors
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors
The auditors, The Gallagher Partnership LLP, Statutory Auditor, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board:

A N Chorley - Director

20 April 2016

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF XCONNECT TRADING LTD

We have audited the financial statements of Xconnect Trading Ltd for the year ended 31 December 2015 on pages seven to twenty three. 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Report of the Directors 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.

Imtiaz Arian (Senior Statutory Auditor)
for and on behalf of The Gallagher Partnership LLP, Statutory Auditor
69-85 Tabernacle Street
London
EC2A 4RR

20 April 2016

XCONNECT TRADING LTD

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover		10,586,307	11,717,476
Cost of sales		(8,563,157)	(9,372,465)
Gross profit		2,023,150	2,345,011
Administrative expenses		(1,765,389)	(1,785,707)
Operating profit	3	257,761	559,304
Interest receivable and similar income		13,892	1,762
Profit on ordinary activities before taxation		271,653	561,066
Tax on profit on ordinary activities	5	(74,644)	(107,136)
Profit for the financial year		197,009	453,930

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Profit for the year		197,009	453,930
Other comprehensive income		-	-
Total comprehensive income for the year		197,009	453,930

The notes form part of these financial statements

XCONNECT TRADING LTD (REGISTERED NUMBER: 04240845)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2015

	Notes	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Tangible assets	6		151,307		210,841
Current assets					
Debtors	7	1,730,799		1,292,569	
Cash at bank		1,530,813		1,602,265	
		3,261,612		2,894,834	
Creditors					
Amounts falling due within one year	8	1,927,153		1,811,488	
Net current assets			1,334,459		1,083,346
Total assets less current liabilities			1,485,766		1,294,187
Provisions for liabilities	10		29,965		35,395
Net assets			1,455,801		1,258,792
Capital and reserves					
Called up share capital	11		360,000		360,000
Retained earnings	12		1,095,801		898,792
Shareholders' funds			1,455,801		1,258,792

The financial statements were approved by the Board of Directors on 20 April 2016 and were signed on its behalf by:

A N Chorley - Director

The notes form part of these financial statements

XCONNECT TRADING LTD

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

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2014	360,000	444,862	804,862
Changes in equity			
Total comprehensive income	-	453,930	453,930
Balance at 31 December 2014	360,000	898,792	1,258,792
Changes in equity			
Total comprehensive income	-	197,009	197,009
Balance at 31 December 2015	360,000	1,095,801	1,455,801

The notes form part of these financial statements

XCONNECT TRADING LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Cash flows from operating activities			
Cash generated from operations	1	(2,486)	735,782
Tax paid		(80,038)	(166,092)
Net cash from operating activities		(82,524)	569,690
Cash flows from investing activities			
Purchase of tangible fixed assets		(2,820)	(195,899)
Interest received		13,892	1,762
Net cash from investing activities		11,072	(194,137)
(Decrease)/increase in cash and cash equivalents		(71,452)	375,553
Cash and cash equivalents at beginning of year	2	1,602,265	1,226,712
Cash and cash equivalents at end of year	2	1,530,813	1,602,265

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. **Reconciliation of profit before taxation to cash generated from operations**

	2015	2014
	£	£
Profit before taxation	271,653	561,066
Depreciation charges	62,354	62,143
Finance income	(13,892)	(1,762)
	320,115	621,447
Increase in trade and other debtors	(444,480)	(232,244)
Increase in trade and other creditors	121,879	346,579
Cash generated from operations	(2,486)	735,782

2. **Cash and cash equivalents**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	1,530,813	1,602,265

Year ended 31 December 2014

	31.12.14	1.1.14
	£	£
Cash and cash equivalents	1,602,265	1,226,712

1. **Accounting policies**

Basis of preparation of financial statements
These financial statements are prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. Set out below is a summary of the principal accounting policies, all of which have been applied consistently (except as otherwise stated).These financial statements for the year ended 30 September 2015 are the first financial statements of the Company following the early adoption of FRS 102. The date of transition to FRS 102 was 1 January 2014. The Company previously reported under old UK GAAP, various presentational changes have been made as shown in the "First Year Adoption" note to the accounts.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102 in the transition period. The Company has not taken any of the exemptions in these financial statements.

Critical accounting judgements and key sources of estimation uncertainty
In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimated and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Turnover
Turnover represents amounts receivable for services provided in the normal course of business. Revenue is recognised in line with accrual accounting based on fees received for services provided during the financial year.

Tangible fixed assets
Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	-over the term of the lease
Plant and machinery	-33% on a reducing balance basis
Computer equipment	-33% on a reducing balance basis
Fixtures, fittings & equipment	-33% on a reducing balance basis

continued...

1. **Accounting policies - continued**

Financial instruments
(i) Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payments discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

(iii) Company financial instruments

The Company has not issued and is not in receipt of any compound financial instruments.

(iv) Offsetting

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

The company as a lessee
Assets held under finance lease arrangements are recognised as assets within property plant and equipment at their fair value, or if lower at the present value of the minimum lease payments, each determined at the inception of the lease. The assets are subsequently depreciated over the shorter of the lease terms and their useful life. The corresponding finance lease liability is recognised as a finance obligation, with lease payments being apportioned between finance charges and a reduction to the lease obligation so as to achieve a constant rate of interest on the remaining amount of the liability. Finance charges are recognised within profit or loss.

Payments made under operating lease arrangements are charged to profit or loss on a straight line basis over the lease term. Benefits receivable as operating lease incentives are recognised within profit or loss on a straight line basis offer the lease term

continued...

1. **Accounting policies - continued**

Going concern
These financial statements have been prepared on a going concern basis.

The current economic conditions present increased risks for all businesses. In response to such conditions, the directors have carefully considered these risks including an assessment on uncertainty on future trading projections for a period of at least 12 months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

Based on assessment, the directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business including any capital and servicing obligations and external debt liabilities.

In addition, the Company's assets are assessed for recoverability on a regular basis, and the directors consider that the Company is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubts upon the Company's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

Taxation
Tax expense for the period comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. 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 gives rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Foreign currencies
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at that date the transaction took place. Where this is not possible to determine, income and expense items are translated using an average exchange rate for the period.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities are reported in profit or loss.

2. **Staff costs**

	2015	**2014**
	£	**£**
Wages and salaries	629,646	675,502
Social security costs	72,017	73,625
	701,663	749,127

continued...

2. **Staff costs - continued**

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

	2015	2014
Management and operations	6	6
Administration	8	8
	14	14

3. **Operating profit**

The operating profit is stated after charging:

	2015 £	2014 £
Other operating leases	260,427	277,423
Depreciation - owned assets	62,354	62,143
Foreign exchange differences	2,679	32,337
Directors' remuneration	60,000	60,000

4. **Auditors' remuneration**

	2015 £	2014 £
Fees payable to the company's auditors for the audit of the company's financial statements	8,000	8,000

5. **Taxation**

Analysis of the tax charge
The tax charge on the profit on ordinary activities for the year was as follows:

	2015 £	2014 £
Current tax:		
UK corporation tax	80,074	86,288
Deferred tax	(5,430)	20,848
Tax on profit on ordinary activities	74,644	107,136

continued...

5. **Taxation - continued**

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2015	2014
	£	£
Profit on ordinary activities before tax	271,653	561,066
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014 - 21%)	54,331	117,824
Effects of:		
Expenses not deductible for tax purposes	15,977	(3,214)
Capital allowances in excess of depreciation	-	(5,515)
Depreciation in excess of capital allowances	6,513	-
Marginal relief	(684)	(4,031)
Change in tax rate in year	(1,493)	2,072
Total tax charge	74,644	107,136

6. **Tangible fixed assets**

	Short leasehold	Plant and machinery	Fixtures and fittings	Totals
	£	£	£	£
Cost				
At 1 January 2015	90,487	320,484	91,090	502,061
Additions	-	2,820	-	2,820
At 31 December 2015	90,487	323,304	91,090	504,881
Depreciation				
At 1 January 2015	16,870	226,413	47,937	291,220
Charge for year	16,870	31,243	14,241	62,354
At 31 December 2015	33,740	257,656	62,178	353,574
Net book value				
At 31 December 2015	56,747	65,648	28,912	151,307
At 31 December 2014	73,617	94,071	43,153	210,841

7. **Debtors: amounts falling due within one year**

	2015	2014
	£	£
Other debtors	1,563,679	1,075,272
Tax	-	6,250
VAT	3,435	4,294
Prepayments and accrued income	163,685	206,753
	1,730,799	1,292,569

continued...

8. **Creditors: amounts falling due within one year**

	2015	2014
	£	£
Trade creditors	39,924	241,837
Tax	80,074	86,288
Social security and other taxes	21,865	20,613
Other creditors	27,423	92,045
Accruals and deferred income	1,757,867	1,370,705
	1,927,153	1,811,488

9. **Leasing agreements**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2015	2014
	£	£
Within one year	217,917	217,917
Between one and five years	653,751	871,668
	871,668	1,089,585

At 31 December 2015 the company was committed to making the above payments under non cancellable operating leases.

10. **Provisions for liabilities**

	2015	2014
	£	£
Deferred tax		
Accelerated capital allowances	(5,430)	-
Deferred tax	35,395	35,395
	29,965	35,395

	Deferred tax
	£
Balance at 1 January 2015	35,395
Accelerated capital allowances	(5,430)
Balance at 31 December 2015	29,965

11. **Called up share capital**

Allotted, issued and fully paid:

Number:	**Class:**	**Nominal value:**	**2015** £	**2014** £
360,000	Ordinary shares	1	360,000	360,000

continued...

12. Reserves

	Retained earnings £
At 1 January 2015	898,792
Profit for the year	197,009
At 31 December 2015	1,095,801

13. Directors' advances, credits and guarantees

The following advances and credits to a director subsisted during the years ended 31 December 2015 and 31 December 2014:

	2015 £	2014 £
P K White		
Balance outstanding at start of year	-	-
Amounts advanced	640,042	-
Amounts repaid	-	-
Balance outstanding at end of year	640,042	-

At the balance sheet date other debtors included £640,042, (interest bearing unsecured loan), owed by the director P White.

14. Related party disclosures

P K White

Paul White, an executive director of the company, has a beneficial interest and is a member of Xconnect Derivatives LLP and Xconnect Market Maker LLP.

During the year the company expensed £439,092 (2014:£505,000) for commission due to Xconnect Derivatives LLP and at the year end the company owed £133,433 (2014 debtor: £92,045) to Xconnect Derivatives LLP. At the year end the company was owed £10,029 (2014: £4,538) by Xconnect Market Maker LLP.

At the balance sheet date other debtors included £640,042 (in respect of an interest bearing unsecured loan) owed by the director P White.

15. Financial instruments

Financial assets that are debt instruments measured at amortised cost - Trade debtors: £Nil (2014: £Nil).
Financial liabilities measured at amortised cost - Trade creditors: £39,925 (2014: £241,837).

continued...

16. **Transition to frs102**

This is the first year that the company has presented its results under FRS102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile the profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS102.

Statement of cash flows
The Company's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as "cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value" whereas cash is defined in FRS 1 as "cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand". The FRS 1 definition is more restrictive.

Due to the straight forward nature of the Company's business and financial instruments, judgements, estimates, and provisions there were no further adjustments to the Company's balance sheet at 1 January 2014 or 31 December 2014 on transition to FRS 102.

XCONNECT TRADING LTD

RECONCILIATION OF EQUITY
1 JANUARY 2014
(DATE OF TRANSITION TO FRS 102)

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
Fixed assets				
Tangible assets		77,085	-	77,085
Current assets				
Debtors		1,054,075	-	1,054,075
Cash at bank		1,226,712	-	1,226,712
		2,280,787	-	2,280,787
Creditors				
Amounts falling due within one year		(1,538,464)	-	(1,538,464)
Net current assets		742,323	-	742,323
Total assets less current liabilities		819,408	-	819,408
Provisions for liabilities		(14,547)	-	(14,547)
Net assets		804,861	-	804,861
Capital and reserves				
Called up share capital		360,000	-	360,000
Retained earnings		444,861	-	444,861
Shareholders' funds		804,861	-	804,861

The notes form part of these financial statements

continued...

XCONNECT TRADING LTD

RECONCILIATION OF EQUITY - continued
31 DECEMBER 2014

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
Fixed assets				
Tangible assets		210,841	-	210,841
Current assets				
Debtors		1,292,569	-	1,292,569
Cash at bank		1,602,265	-	1,602,265
		2,894,834	-	2,894,834
Creditors				
Amounts falling due within one year		(1,646,097)	(165,391)	(1,811,488)
Net current assets		1,248,737	(165,391)	1,083,346
Total assets less current liabilities		1,459,578	(165,391)	1,294,187
Creditors				
Amounts falling due after more than one year		(165,391)	165,391	-
Provisions for liabilities		(35,395)	-	(35,395)
Net assets		1,258,792	-	1,258,792
Capital and reserves				
Called up share capital		360,000	-	360,000
Retained earnings		898,792	-	898,792
Shareholders' funds		1,258,792	-	1,258,792

The notes form part of these financial statements

XCONNECT TRADING LTD

RECONCILIATION OF PROFIT
FOR THE YEAR ENDED 31 DECEMBER 2014

	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
Turnover	11,717,476	-	11,717,476
Cost of sales	(9,372,465)	-	(9,372,465)
Gross profit	2,345,011	-	2,345,011
Administrative expenses	(1,785,707)	-	(1,785,707)
Operating profit	559,304	-	559,304
Interest receivable and similar income	1,762	-	1,762
Profit on ordinary activities before taxation	561,066	-	561,066
Tax on profit on ordinary activities	(107,136)	-	(107,136)
Profit for the financial year	453,930	-	453,930

The notes form part of these financial statements

XCONNECT TRADING LIMITED

APPENDIX 1 – DISCLOSURE UNDER PILLAR 3 OF THE CAPITAL REQUIREMENTS DIRECTIVE (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2015

The following does not form part of the statutory financial statements and is unaudited.

XCONNECT TRADING LIMITED

APPENDIX 1 – DISCLOSURE UNDER PILLAR 3 OF THE CAPITAL REQUIREMENTS DIRECTIVE (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Introduction

The Capital Requirements Directive ('The Directive') of the European Union establishes a regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain.

Under UK legislation, the Directive has been implemented by the Financial Conduct Authority ("FCA") in its regulations through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investments Firms ("BIPRU").

The FCA framework consists of three "Pillars"

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk capital requirement.
- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet Pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to mitigate any additional risks.
- Pillar 3 requires at least annual disclosure of specified information about the risk management controls, capital position, and remuneration policy in order to encourage market discipline.

This Pillar 3 disclosure document has been prepared by Xconnect Trading Limited (the "Firm") in accordance with the requirements of *BIPRU 11*, pursuant to the third paragraph of article 95(2) of the EU CRR and has been verified by Senior Management. All figures are as at the end of the financial year.

The Firm may omit one or more of the disclosures listed in *BIPRU 11.5* if the information provided by such disclosures is not, in the light of the criterion specified in *BIPRU 11.4.1 R*, regarded as material. The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

The Firm may also omit one or more items of information included in the disclosures listed in *BIPRU 11.5* and *BIPRU 11.6* if those items include information which, in the light of the criteria specified in *BIPRU 11.4.2 R* and *BIPRU 11.4.3 R*, is regarded as proprietary or confidential. The Firm regards information as proprietary information if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable.

No such omissions have been made on the above grounds.

Scope and application of the requirements

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a BIPRU €50K Limited Licence Firm by the FCA for capital purposes and it has no trading book exposures nor does it hold client money.

Risk management objectives and policies

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The Senior Management team takes overall responsibility for this process and the fundamental risk appetite of the firm. The team has responsibility for the implementation and enforcement of the Firm's risk principles.

Senior management meet on a regular basis and discuss current projections for profitability, cash flow, business planning and risk management. Senior Management engage in the Firm's risk management through a framework of policy and procedures having regard to the relevant laws, standards, regulatory principles and rules, with the aim to operate a defined and transparent risk management framework. These policies are updated as required.

The Firm uses its Internal Capital Adequacy Assessment Process (ICAAP) to formally review risks each year but also assesses risks on an ad hoc basis as they potentially arise throughout the course of business. Senior Management has identified that business, operational and execution risk are the main material exposures. Senior Management annually reviews the Firm's risks, controls and risk mitigation to assess their effectiveness.

Management accounts are used to formally assess the adequacy of the Firm's regulatory capital each month, with daily reports being reviewed to assess change throughout each month. The Firm has in place appropriate monitoring procedures to ensure effective oversight of potential risks to the business. Appropriate action is taken where risks are identified which fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's mitigating controls.

Business risk

This is the risk of the Firm not being able to generate fee income and control costs on an on-going basis in-line with business plans. The key income driver of the Firm is direct market access which is in turn materially impacted by market downturns and commercial rate pressures.

Operational risk

These are risks to the Firm arising from running the business, and include the adequacy of the Firm's business continuity planning and the failure of IT systems.

Execution risk

Execution risk is the risk resulting from poor broker execution and / or the misunderstanding of a client order. The systems and controls in place mean this this risk is unlikely to materialise and such errors are historically rare.

Capital Resources

The Firm's capital requirement and surplus of funds is summarised below.

	31 December 2015
Pillar 1 capital requirement	£428,000
Pillar 2 capital requirement	£140,000
Total capital requirement	£568,000
Tier 1 Capital	£1,456,000
Surplus of funds	**£888,000**

The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from fees receivable.

The Firm is subject to the Fixed Overhead Requirement ("FOR") and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

The Firm is a BIPRU €50K limited licence firm and as such its Pillar 1 capital requirement is the higher of:-

- €50,000
- The sum of the market & credit risk requirements
- Its FOR

The FOR is the higher measure and is calculated, in accordance with FCA rules based on the firm's previous year's audited expenditure.

The firm's Pillar 2 Internal Capital Adequacy Assessment Process indicates that capital in addition to the Pillar 1 level is required.

Credit risk

The Firm is exposed to credit risk in respect of cash balances held by it at its bankers and general clearer. The firm is also exposed to the risk of counterparties failing to meet their contractual obligations, either as a result of business failure or withholding of amounts due. The Firm has monthly contractual clearing arrangements with ABN AMRO Bank N.V. and Societe Generale S.A. to mitigate counterparty credit exposures. The risk of credit exposures to counterparty risk in the same economic or geographical sector and the risk to counterparties whose financial performance is dependent on the same activity or commodity is considered to be low, as this is monitored by the Senior Management collectively and in each of their business areas.

Exposures to interest Rate Risk in the Non-Trading Book

The Firm does generate income from its cash deposits, but the amounts generated are insignificant relative to the income generated from fees and to the level of the expense base. It is envisaged that a 200 point change in current interest rates (whether positive or negative) would have no adverse impact on the Firm's business or liquidity risks.

Securitisation

The Firm has not securitised and does not intend to securitise any of its assets whether on or off its balance sheet. Securitisation risk is therefore not considered a material risk.

Remuneration Code Disclosure

The Firm is authorised and regulated by the FCA and classified as a Capital Requirements Directive (CRD) Investment Firm, therefore subject to the rules on remuneration. These are contained in the FCA BIPRU Remuneration Code ("the RemCode"), under SYSC 19C in the FCA Handbook. The aim of the RemCode is to ensure greater alignment between risk and individual reward, discourage excessive risk taking and to encourage better risk management. The Firm is aligned in this approach in building an appropriate conduct culture through appropriate levels of remuneration, reflected in our Policy. The Firm incentivises staff through a combination of both fixed and variable incomes, as per the guidance outlined in the RemCode.

Application of the requirements

We are required to disclose certain information on at least an annual basis regarding our remuneration policy and practices for those Staff whose professional activities have a material impact on the risk profile of the Firm. Our disclosure is made in accordance with our size, internal organisation, and the nature, scope and complexity of our activities.

1. Summary of information on the decision-making process used for determining the firm's remuneration policy.

    - The Firm's policy has been agreed by the Senior Management in line with the RemCode principles laid down by the FCA.
    - Due to the size, nature and complexity of the firm, the Firm is not required to appoint an independent remuneration committee.
    - The Firm's policy is reviewed as part its annual procedures, or following any significant change to policies, practices and procedures in the business.

2. Summary of how the Firm links pay and performance.

    - Staff are rewarded based on their contribution to the business in relation to:-

        a. Business development.
        b. Income generation or overall profitability.
        c. Operational processes.
        d. Other non-financial criteria.

    - Other factors such as performance, reliability, effectiveness of controls, and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.

3. All discretionary remuneration is directly related to realised performance and as such staff interests are intrinsically aligned with the interest of the Firm.

    The Firm may omit required disclosures where it believes that the information could be regarded as prejudicial to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 in the protection of individuals with regard to the processing of personal data and on the free movement of such data.

    No such omissions on the grounds of data protection have been made.