REGISTERED NUMBER: 04240845 (England and Wales)

XCONNECT TRADING LTD

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

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

The directors present their strategic report for the year ended 31 December 2016.

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.

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.

Principal risks and uncertainties
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 credit 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.

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 £666,965 (2015: £197,009) and an increase in shareholders' funds £1,482,722 (2015: £1,455,801).

Key performance indicators
Management use a range of performance measures to monitor and manage the business. As set out below the following financial key performance measures are considered by management to be the key performance indicators for the company:

	2016	2015
	£	£
Turnover	26,075,285	10,586,307
Profit after tax	666,695	197,009

Future developments
The company continues to invest in its IT infrastructure and staff, this is achieved by directing the technology team to focus on improving the efficiency of the IT systems and ongoing training for its staff training.

On behalf of the board:

....
Director

Date: 14 March 2017

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

Dividends
An interim dividend of 1.78 per share was paid on 1 April 2016. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2016 will be £640,044.

Directors
The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

P K White
A N Chorley

Charitable donations and expenditure
Charitable donations during the year amounted to £2,495 (2015: £6,056). 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 2 and 3. 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 Strategic Report, 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Date: 14 March 2017

We have audited the financial statements of Xconnect Trading Ltd for the year ended 31 December 2016 on pages seven to nineteen. 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 2016 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

Date: 15 March 2017

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover		26,075,285	10,586,307
Cost of sales		(22,936,691)	(8,563,157)
Gross profit		3,138,594	2,023,150
Administrative expenses		(2,290,805)	(1,765,389)
Operating profit	4	847,789	257,761
Interest receivable and similar income		4,373	13,892
Profit before taxation		852,162	271,653
Tax on profit	6	(185,197)	(74,644)
Profit for the financial year		666,965	197,009

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Profit for the year		666,965	197,009
Other comprehensive income		-	-
Total comprehensive income for the year		666,965	197,009

The notes form part of these financial statements

XCONNECT TRADING LTD (REGISTERED NUMBER: 04240845)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016

		2016		2015	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	8		124,920		151,307
Current assets					
Debtors	9	894,830		1,730,799	
Cash at bank		4,090,874		1,530,813	
		4,985,704		3,261,612	
Creditors					
Amounts falling due within one year	10	3,608,492		1,927,153	
Net current assets			1,377,212		1,334,459
Total assets less current liabilities			1,502,132		1,485,766
Provisions for liabilities	12		19,410		29,965
Net assets			1,482,722		1,455,801
Capital and reserves					
Called up share capital	13		360,000		360,000
Retained earnings	14		1,122,722		1,095,801
Shareholders' funds			1,482,722		1,455,801

The financial statements were approved by the Board of Directors on 14 March 2017 and were signed on its behalf by:

....
A N Chorley - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2015	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
Changes in equity			
Dividends	-	(640,044)	(640,044)
Total comprehensive income	-	666,965	666,965
Balance at 31 December 2016	360,000	1,122,722	1,482,722

The notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	3,297,806	(2,486)
Tax paid		(80,074)	(80,038)
Net cash from operating activities		3,217,732	(82,524)
Cash flows from investing activities			
Purchase of tangible fixed assets		(22,000)	(2,820)
Interest received		4,373	13,892
Net cash from investing activities		(17,627)	11,072
Cash flows from financing activities			
Equity dividends paid		(640,044)	-
Net cash from financing activities		(640,044)	-
Increase/(decrease) in cash and cash equivalents		2,560,061	(71,452)
Cash and cash equivalents at beginning of year	2	1,530,813	1,602,265
Cash and cash equivalents at end of year	2	4,090,874	1,530,813

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	2016	2015
	£	£
Profit before taxation	852,162	271,653
Depreciation charges	48,387	62,354
Finance income	(4,373)	(13,892)
	896,176	320,115
Decrease/(increase) in trade and other debtors	835,969	(444,480)
Increase in trade and other creditors	1,565,661	121,879
Cash generated from operations	3,297,806	(2,486)

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 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	4,090,874	1,530,813

Year ended 31 December 2015

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

1. **Statutory information**

Xconnect Trading Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **Accounting policies**

Basis of preparation of financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Significant judgements and estimates
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 historical 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.

Critical judgements in applying the company's accounting policies
The critical judgement that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below:

(i) Assessing indicators and impairment
In assessing whether there have been any indicators or impairment assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience or recoverability. There have been no indicators or impairments identified during the current financial year.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(ii) Recoverability of receivables
The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience and recoverability, and the credit profile of individual or groups of customers.

(iii) Determining residual values and useful economic lives of property, plant and equipment
The company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives is based on historical performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

Turnover
Turnover of the company consists of amounts receivable for market access services provided to professional trading teams and brokerage income. Turnover is recognised in line with accrual accounting bases on fees received for services provided in the financial year.

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2. **Accounting policies - continued**

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

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

The company as a lessee
Lease arrangements are classified as a finance lease where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease arrangements are classified as an operating lease.

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 over the lease term.

Pension costs and other post-retirement benefits
The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Provisions
Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted when the time value of money is material.

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2. **Accounting policies - continued**

Financial instruments
Financial assets and liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. The company holds basic financial instruments which comprise cash at bank, trade and other receivables, and trade and other payables. The company has chosen to apply the provisions of Section 11 Basic Financial Instruments in full.

Financial assets - classified as basic financial instruments

(i) Cash at bank and in hand
Cash at bank and in hand include cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(ii) Trade and other receivables
Trade and other receivables are initially recognised at the transaction price, including any transaction costs. Amounts that are receivable within one year are measured at the undiscounted amount of the cash expected to be received, net of any impairment.

At the end of each reporting period, the company assesses whether there is objective evidence that an receivable amount may be impaired. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in profit or loss.

Financial Liabilities - classified as basic financial instruments

(iii) Trade and other payables and loans and borrowings
Trade and other payables and loans and borrowings are initially measured at the transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the discounted amount of the cash expected to be paid.

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 projection 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.

3. **Employees and directors**

	2016	2015
	£	£
Wages and salaries	1,142,550	629,646
Social security costs	130,107	72,017
Other pension costs	62,465	-
	1,335,122	701,663

continued...

3. Employees and directors - continued

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

	2016	2015
Management and operations	6	6
Administration	8	8
	14	14

	2016 £	2015 £
Directors' remuneration	92,804	60,000
Directors' pension contributions	60,242	-

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	2	-

4. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Operating lease charges	265,297	260,427
Depreciation - owned assets	48,387	62,354
Foreign exchange differences	65,721	2,679

5. Auditors' remuneration

	2016 £	2015 £
Fees payable to the company's auditors and their associates for the audit of the company's financial statements	8,000	8,000
Taxation compliance services	2,000	-

6. Taxation

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

	2016 £	2015 £
Current tax:		
UK corporation tax	195,752	80,074
Deferred tax	(10,555)	(5,430)
Tax on profit	185,197	74,644

continued...

6. **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:

	2016 £	2015 £
Profit before tax	852,162	271,653
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	170,432	54,331
Effects of:		
Expenses not deductible for tax purposes	16,330	15,977
Depreciation in excess of capital allowances	8,990	6,513
Marginal relief	-	(684)
Change in tax rate in year	-	(1,493)
Deferred tax	(10,555)	-
Total tax charge	185,197	74,644

7. **Dividends**

	2016 £	2015 £
Ordinary shares shares of 1 each		
Interim	640,044	-

8. **Tangible fixed assets**

	Short leasehold £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
Cost					
At 1 January 2016	90,487	323,304	91,090	-	504,881
Additions	-	-	-	22,000	22,000
At 31 December 2016	90,487	323,304	91,090	22,000	526,881
Depreciation					
At 1 January 2016	33,740	257,656	62,178	-	353,574
Charge for year	16,870	21,880	9,637	-	48,387
At 31 December 2016	50,610	279,536	71,815	-	401,961
Net book value					
At 31 December 2016	39,877	43,768	19,275	22,000	124,920
At 31 December 2015	56,747	65,648	28,912	-	151,307

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

	2016 £	2015 £
Other debtors	743,197	1,563,679
VAT	-	3,435
Prepayments and accrued income	151,633	163,685
	894,830	1,730,799

continued...

10. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	51,745	39,924
Tax	195,752	80,074
Social security and other taxes	31,529	21,865
VAT	13,305	-
Other creditors	-	27,423
Accruals and deferred income	3,316,161	1,757,867
	3,608,492	1,927,153

11. Leasing agreements

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

	2016	2015
	£	£
Within one year	327,336	290,556
Between one and five years	340,226	581,112
	667,562	871,668

At 31 December 2016 the company was committed to making the above payments under non cancellable operating leases.

12. Provisions for liabilities

	2016	2015
	£	£
Deferred tax		
Accelerated capital allowances	(10,555)	(5,430)
Deferred tax	29,965	35,395
	19,410	29,965

	Deferred tax
	£
Balance at 1 January 2016	29,965
Accelerated capital allowances	(10,555)
Balance at 31 December 2016	19,410

13. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016	2015
			£	£
360,000	Ordinary shares	1	360,000	360,000

continued...

14. Reserves

	Retained earnings £
At 1 January 2016	1,095,801
Profit for the year	666,965
Dividends	(640,044)
At 31 December 2016	1,122,722

15. Directors' advances, credits and guarantees

The following advances and credits to a director subsisted during the years ended 31 December 2016 and 31 December 2015:

	2016 £	2015 £
P K White		
Balance outstanding at start of year	640,042	-
Amounts advanced	-	640,042
Amounts repaid	(640,042)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	-	640,042

At the balance sheet date there was no outstanding balance (interest bearing unsecured loan), owed by the director P K White.

16. Related party disclosures

During the year the company expensed £612,516 (2015:£439,092) for commission due to Xconnect Derivatives LLP, at the year end the company owed nil (2015: £133,433) to Xconnect Derivatives LLP. The partnership is related to the company by virtue of P K White's controlling interest in both entities.

During the year, total dividends of £640,044 (2015: nil) were paid to the director P K White.

17. Ultimate controlling party

The controlling party is P K White.

18. Financial instruments

The company's financial instruments may be analysed as follows:

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	4,834,071	3,094,492
Financial liabilities		
Financial liabilities measured at amortised cost	3,213,479	1,598,661

Financial assets measured at amortised cost comprise cash and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

Information regarding the company's exposure to risks are included in the strategic report.

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

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 2016
Pillar 1 capital requirement	£450,000
Pillar 2 capital requirement	£162,000
Total capital requirement	£612,000
Tier 1 Capital	£1,483,000
Surplus of funds	£871,000

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:

i. €50,000;
ii. the sum of the market & credit risk requirements; or,
iii. 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.