

Company Registration No 4240845 (England and Wales)

**XCONNECT TRADING LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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# XCONNECT TRADING LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Paul White Mark Limbert
<b>Secretary</b>	Mark Limbert
<b>Company number</b>	4240845
<b>Registered office</b>	8-10 Old Jewry London EC2R 8DN
<b>Auditors</b>	The Gallagher Partnership LLP 69/85 Tabernacle Street London EC2A 4RR
<b>Business address</b>	8-10 Old Jewry London EC2R 8DN

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# XCONNECT TRADING LIMITED

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# **XCONNECT TRADING LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2007***

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The directors present their report and financial statements for the year ended 31 December 2007

### **Principal activities and review of the business**

The principal activity of the company is to provide administration and market access to traders and brokers on world wide derivative exchanges. The company is authorised and regulated by the financial services authority.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect growth in the coming year.

### **Principal risks and uncertainties**

#### **Financial instruments**

The company's principal financial instruments comprise cash and liquid resources as well as various items, such as trade debtors, and creditors that arise directly from its operations. The main purpose of these instruments is to provide regulatory capital and finance for operations and seed capital for new business.

#### **Liquidity risk**

The company finances its operations through share capital and retained earnings. Surplus funds are placed on deposit with highly rated banks.

#### **Interest rate risk**

The company is not exposed to interest rate risk because its cash deposits have short maturities and so earn interest on a floating rate basis.

#### **Foreign currency risk**

The company holds cash balances in US dollars and Euros as income is generated in these currencies. Foreign exchange risk is managed by ensuring any surplus non-Sterling cash is converted to Sterling on a regular basis.

### **Results and dividends**

The results for the year are set out on page 5.

### **Directors**

The following directors have held office since 1 January 2007:

Paul White

Mark Lambert

### **Auditors**

In accordance with section 385 of the Companies Act 1985, are proposing that The Gallagher Partnership LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

# XCONNECT TRADING LIMITED

## DIRECTORS' REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2007*

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### **Directors' responsibilities**

The directors are responsible for preparing 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). The financial statements are required by law to 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 those 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,
- 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 proper accounting records that 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 1985. 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 of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Paul White

**Director**

3 April 2008

# **XCONNECT TRADING LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF XCONNECT TRADING LIMITED**

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We have audited the financial statements of XConnect Trading Limited for the year ended 31 December 2007 set out on pages 5 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# XCONNECT TRADING LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

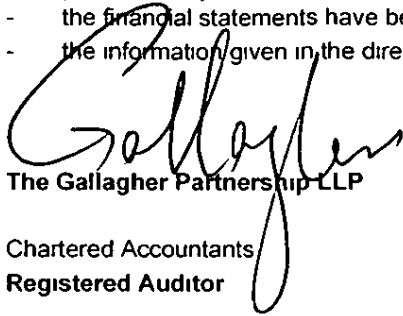
### TO THE SHAREHOLDERS OF XCONNECT TRADING LIMITED

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#### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



The Gallagher Partnership LLP

Chartered Accountants  
Registered Auditor

8 April 2008

69/85 Tabernacle Street  
London  
EC2A 4RR

# XCONNECT TRADING LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

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	Notes	2007 £	2006 £
Turnover	2	3,224,687	2,457,163
Cost of sales		<u>(2,010,534)</u>	<u>(990,382)</u>
Gross profit		1,214,153	1,466,781
Administrative expenses		<u>(1,179,812)</u>	<u>(1,467,060)</u>
Operating profit/(loss)	3	34,341	(279)
Other interest receivable and similar income	4	35,396	30,488
Interest payable and similar charges	5	<u>(12,062)</u>	<u>(19,031)</u>
Profit on ordinary activities before taxation		57,675	11,178
Tax on profit on ordinary activities	6	<u>(16,063)</u>	<u>(5,841)</u>
Profit for the year	14	<u>41,612</u>	<u>5,337</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account



# XCONNECT TRADING LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007		2006	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		45,301		65,369
<b>Current assets</b>					
Debtors	8	389,807		316,660	
Cash at bank and in hand		938,541		657,464	
		<u>1,328,348</u>		<u>974,124</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(897,814)</u>		<u>(628,259)</u>	
<b>Net current assets</b>			<u>430,534</u>		<u>345,865</u>
<b>Total assets less current liabilities</b>			<u>475,835</u>		<u>411,234</u>
<b>Creditors, amounts falling due after more than one year</b>	10		-		(50,000)
<b>Provisions for liabilities</b>	11		(1,400)		(3,100)
<b>Accruals and deferred income</b>	12		<u>(18,984)</u>		<u>(44,295)</u>
			<u>455,451</u>		<u>313,839</u>
<b>Capital and reserves</b>					
Called up share capital	13		360,000		260,000
Profit and loss account	14		95,451		53,839
<b>Shareholders' funds</b>	15		<u>455,451</u>		<u>313,839</u>

Approved by the Board and authorised for issue on 3 April 2008

  
Paul White  
Director

# XCONNECT TRADING LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

		2007		2006
	£	£	£	£
<b>Net cash inflow from operating activities</b>		131,154		47,051
<b>Returns on investments and servicing of finance</b>				
Interest received	35,396		30,488	
Interest paid	(12,062)		(19,031)	
<b>Net cash inflow for returns on investments and servicing of finance</b>		23,334		11,457
<b>Taxation</b>		(9,858)		(14,886)
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(1,721)		(47,167)	
Receipts from sales of tangible assets	-		68,700	
<b>Net cash (outflow)/inflow for capital expenditure</b>		(1,721)		21,533
<b>Net cash inflow before management of liquid resources and financing</b>		142,909		65,155
<b>Financing</b>				
Issue of ordinary share capital	100,000		-	
Repayment of other long term loans	(50,000)		-	
Capital element of hire purchase contracts	-		(59,034)	
<b>Net cash inflow/(outflow) from financing</b>		50,000		(59,034)
<b>Increase in cash in the year</b>		192,909		6,121

# XCONNECT TRADING LIMITED

## NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

<b>1</b>	<b>Reconciliation of operating profit/(loss) to net cash inflow from operating activities</b>			<b>2007</b>	<b>2006</b>
				£	£
	Operating profit/(loss)			34,341	(279)
	Depreciation of tangible assets			21,789	27,515
	Increase in debtors			(73,147)	(167,260)
	Increase in creditors within one year			173,482	212,387
	Movement on grant provision			(25,311)	(25,312)
	<b>Net cash inflow from operating activities</b>			<u>131,154</u>	<u>47,051</u>
<b>2</b>	<b>Analysis of net funds</b>	<b>1 January 2007</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 December 2007</b>
		£	£	£	£
	Net cash				
	Cash at bank and in hand	657,464	281,077	-	938,541
	Bank overdrafts	(3,237)	(88,168)	-	(91,405)
		<u>654,227</u>	<u>192,909</u>	<u>-</u>	<u>847,136</u>
	Bank deposits	-	-	-	-
	Debt				
	Debts falling due after one year	(50,000)	50,000	-	-
	<b>Net funds</b>	<u>604,227</u>	<u>242,909</u>	<u>-</u>	<u>847,136</u>
<b>3</b>	<b>Reconciliation of net cash flow to movement in net funds</b>			<b>2007</b>	<b>2006</b>
				£	£
	Increase in cash in the year			192,909	6,121
	Cash outflow from decrease in debt			50,000	59,034
	<b>Movement in net funds in the year</b>			<u>242,909</u>	<u>65,155</u>
	Opening net funds			604,227	539,072
	<b>Closing net funds</b>			<u>847,136</u>	<u>604,227</u>

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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### **1 Accounting policies**

A summary of principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention

#### **1.2 Compliance with accounting standards**

The financial information is not intended to achieve full compliance with the provisions of UK Generally Accepted Accounting Principles

#### **1.3 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

#### **1.4 Tangible fixed assets and depreciation**

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

Plant and machinery	over 3 years
Fixtures, fittings & equipment	over 3 years
Motor vehicles	Over 4 years

#### **1.5 Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

#### **1.6 Taxation**

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

#### **1.7 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

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### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom and Eire

<b>3 Operating profit/(loss)</b>	<b>2007</b>	<b>2006</b>
	£	£
Operating profit/(loss) is stated after charging		
Depreciation of tangible assets	21,789	27,515
Loss on foreign exchange transactions	12,755	24,942
Operating lease rentals	364,965	258,182
Auditors' remuneration	13,000	12,500
	<u>          </u>	<u>          </u>

<b>4 Investment income</b>	<b>2007</b>	<b>2006</b>
	£	£
Bank interest	35,396	30,488
	<u>          </u>	<u>          </u>

<b>5 Interest payable</b>	<b>2007</b>	<b>2006</b>
	£	£
On bank loans and overdrafts	12,062	16,588
Hire purchase interest	-	2,443
	<u>          </u>	<u>          </u>
	<u>12,062</u>	<u>19,031</u>

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

6 Taxation	2007	2006
	£	£
<b>Domestic current year tax</b>		
U K corporation tax	18,260	10,341
Adjustment for prior years	(497)	-
	<u>17,763</u>	<u>10,341</u>
<b>Current tax charge</b>	17,763	10,341
<b>Deferred tax</b>		
Deferred tax charge/credit current year	(1,700)	(4,500)
	<u>16,063</u>	<u>5,841</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>57,675</u>	<u>11,178</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20 00% (2006 - 19 00%)	<u>11,535</u>	<u>2,124</u>
<b>Effects of</b>		
Non deductible expenses	5,162	5,799
Depreciation add back	4,358	5,228
Capital allowances	(2,558)	(2,798)
Adjustments to previous periods	(497)	-
Other tax adjustments	(237)	(12)
	<u>6,228</u>	<u>8,217</u>
<b>Current tax charge</b>	<u>17,763</u>	<u>10,341</u>

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

### 7 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
<b>Cost</b>			
At 1 January 2007	78,359	34,812	113,171
Additions	1,074	647	1,721
	<hr/>	<hr/>	<hr/>
At 31 December 2007	79,433	35,459	114,892
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2007	25,259	22,543	47,802
Charge for the year	17,700	4,089	21,789
	<hr/>	<hr/>	<hr/>
At 31 December 2007	42,959	26,632	69,591
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2007	36,474	8,827	45,301
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2006	53,100	12,269	65,369
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 8 Debtors

	2007	2006
	£	£
Other debtors	283,718	165,652
Prepayments and accrued income	106,089	151,008
	<hr/>	<hr/>
	389,807	316,660
	<hr/> <hr/>	<hr/> <hr/>

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

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<b>9 Creditors amounts falling due within one year</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	91,405	3,237
Trade creditors	249,919	346,515
Corporation tax	18,260	10,355
Other taxes and social security costs	33,017	23,273
Other creditors	25,000	-
Accruals and deferred income	480,213	244,879
	<u>897,814</u>	<u>628,259</u>

<b>10 Creditors amounts falling due after more than one year</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Other loans	-	50,000
	<u>-</u>	<u>50,000</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	-	50,000
	<u>-</u>	<u>50,000</u>
	<u>-</u>	<u>50,000</u>
<b>Loan maturity analysis</b>		
In more than two years but not more than five years	-	50,000
	<u>-</u>	<u>50,000</u>

The loan is from the director and is unsecured and interest free



# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

### 11 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 January 2007	3,100
Profit and loss account	(1,700)
	<hr/>
Balance at 31 December 2007	1,400
	<hr/> <hr/>

#### The deferred tax liability is made up as follows

	2007 £	2006 £
Accelerated capital allowances	1,400	3,100
	<hr/>	<hr/>

### 12 Accruals and deferred income

	Deferred rent £
Balance at 1 January 2007	44,295
Deferred rent	-
Amortisation in the year	(25,311)
	<hr/>
Balance at 31 December 2007	18,984
	<hr/> <hr/>

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

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13 Share capital	2007	2006
	£	£
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
360,000 Ordinary shares of £1 each	360,000	260,000
	<u>          </u>	<u>          </u>

During the year 100,000 ordinary shares of £1 each were allotted and fully paid at par for cash consideration to provide additional working capital

14 Statement of movements on profit and loss account	Profit and loss account £
Balance at 1 January 2007	53,839
Profit for the year	41,612
	<u>          </u>
Balance at 31 December 2007	95,451
	<u>          </u>

15 Reconciliation of movements in shareholders' funds	2007	2006
	£	£
Profit for the financial year	41,612	5,337
Proceeds from issue of shares	100,000	-
	<u>          </u>	<u>          </u>
Net addition to shareholders' funds	141,612	5,337
Opening shareholders' funds	313,839	308,502
	<u>          </u>	<u>          </u>
Closing shareholders' funds	455,451	313,839
	<u>          </u>	<u>          </u>

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

### 16 Financial commitments

At 31 December 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2008

	Land and buildings	
	2007	2006
	£	£
Operating leases which expire Between two and five years	253,116	253,116

### 17 Directors' emoluments

	2007	2006
	£	£
Emoluments for qualifying services	133,333	85,000

### 18 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

	2007	2006
	Number	Number
Management and operations	6	5
Broking and administration	6	8
	12	13

#### Employment costs

	2007	2006
	£	£
Wages and salaries	477,406	748,043
Social security costs	75,229	84,549
	552,635	832,592

# **XCONNECT TRADING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007**

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### **19 Control**

The ultimate controlling party is Mr P White, an executive director of the company

### **20 Related party transactions**

Mr P 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 shared commission amounting to £255,000 (2006 -£nil) and charged fees of £626,424 (2006 - £791,242) to Xconnect Derivatives At the year end the company was owed £190,348 (2006 -£115,842) by Xconnect Derivatives LLP

Xconnect Market Maker LLP advanced cash of £35,984 84 to the company and at the year end and this amount was repayable to Xconnect Market Maker LLP