

Company Registration No 04240845 (England and Wales)

XCONNECT TRADING LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

WEDNESDAY



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XCONNECT TRADING LIMITED

COMPANY INFORMATION

Directors	Paul White Adrian Chorley
Company number	04240845
Registered office	2nd Floor 8-10 Old Jewry London EC2R 8DN
Auditors	The Gallagher Partnership LLP 69/85 Tabernacle Street London EC2A 4RR
Business address	2nd Floor 8-10 Old Jewry London EC2R 8DN

XCONNECT TRADING LIMITED

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XCONNECT TRADING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and financial statements for the year ended 31 December 2011

Principal activities and review of the 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 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 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.

Management considers the primary key performance indicators to be cash flows and transaction volumes undertaken through the trading platforms it supports. Budgeting includes expenditure on technology projects to enhance the longer term development of the business.

Pillar III Disclosure - Scope and application of the requirements

The Company is governed by its Directors ('the Board') who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Company's governance arrangements along with designing and implementing a risk management framework that recognises and manages the risks that the business faces. The Board meets on a regular basis to discuss profitability, cash flow, regulatory capital management, and business planning and risk management. The Board manages the Company's risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FSA principles and rules) with the aim of operating a defined and transparent risk management framework.

The Board has identified that reputational and operational risk are the main areas of risk to which the Company may be exposed. Annually the Board formally reviews the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where the Board identifies material risks it considers the financial impact of these risks as part of its business planning and capital management process and concludes whether its regulatory capital is adequate. The Company is small with a simple operational infrastructure. The general objective is to develop systems and controls to mitigate risk to such a level that the allocation of Pillar 2 capital is not required.

The Company is authorised and regulated by the Financial Services Authority and as such it is subject to minimum regulatory capital requirements. It is a BIPRU €50k limited licence firm registered with the FSA (FRN No 403317) and lodges its financial statements with Companies House.

It is the Company's experience that the capital requirement of the Company is the fixed overhead requirement ("FOR") and not the sum of any market and credit risk. Therefore for the purpose of the regulatory capital requirement calculation, disclosures relating to market and credit are considered to be immaterial in relation to the business.

As at the 31 December 2011 the Company had £620k of capital with a FOR of £390k. The Company has substantial excess resources over its regulatory capital requirement.

XCONNECT TRADING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

Principal risks and uncertainties

The Company's operations expose it to a variety of risks. The Company has in place a risk management programme that seeks to limit the potential adverse effects on its financial performance.

Financial instruments

The company's principle financial instruments comprise cash and liquid resources as well as various items, such as trade debtors, and creditors that arise directly from its operations. These instruments provide regulatory capital and finance for operations.

Liquidity risk

The company finances its operations through share capital and retained earnings, as such liquidity risk is not considered significant. 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.

Credit risk

The Company is exposed to credit risk in respect of cash balances held by it at its bankers and general clearer.

Operational risk

The risk of direct or indirect loss, failure or damaged reputation does exist. This could result from inadequate or failed internal processes or system failure or from external events relating to legal and compliance issues. Operational risks are inherent in all activities within the organisation, and in all interaction with external parties. The company mitigates operational risk through its internal controls and monitors the results.

Results and dividends

The results for the year are set out on page 6.

Future developments

The Company continues to invest in its staff through both training and through the reorganisation of their responsibilities. The Board have directed the technology team to continue to focus on improving the efficiency of the business.

Directors

The following directors have held office since 1 January 2011.

Paul White

Adrian Chorley

Auditors

In accordance with the Company's Articles, a resolution proposing that The Gallagher Partnership LLP be reappointed as auditors of the company will be put at a General Meeting.

XCONNECT TRADING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

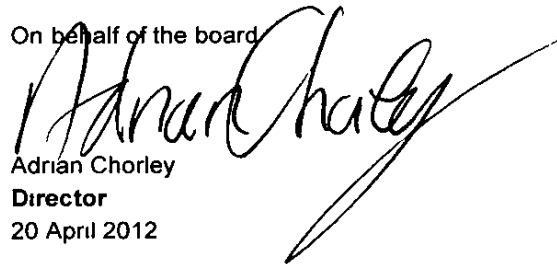
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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



Adrian Chorley

Director

20 April 2012

XCONNECT TRADING LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF XCONNECT TRADING LIMITED

We have audited the financial statements of XConnect Trading Limited for the year ended 31 December 2011 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent 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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

XCONNECT TRADING LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF XCONNECT TRADING LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit


Imtiaz Arian (Senior Statutory Auditor)
for and on behalf of The Gallagher Partnership LLP

Chartered Accountants
Statutory Auditors

23 April 2012

69/85 Tabernacle Street
London
EC2A 4RR

XCONNECT TRADING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Turnover	2	5,438,213	6,341,143
Cost of sales		<u>(3,800,223)</u>	<u>(4,545,962)</u>
Gross profit		1,637,990	1,795,181
Administrative expenses		<u>(1,687,262)</u>	<u>(1,720,797)</u>
Operating (loss)/profit	3	(49,272)	74,384
Other interest receivable and similar income	4	-	3,988
Interest payable and similar charges	5	<u>(1,799)</u>	<u>(4,706)</u>
(Loss)/profit on ordinary activities before taxation		(51,071)	73,666
Tax on (loss)/profit on ordinary activities	6	2,888	(28,000)
(Loss)/profit for the year	12	<u><u>(48,183)</u></u>	<u><u>45,666</u></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

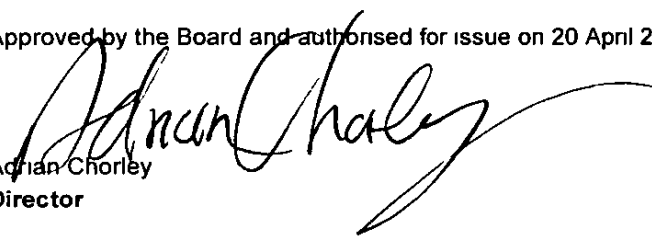
XCONNECT TRADING LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	2011 £	£	2010 £	£
Fixed assets					
Tangible assets	7		59,668		89,044
Current assets					
Debtors	8	763,490		417,407	
Cash at bank and in hand		1,478,980		1,053,769	
		<u>2,242,470</u>		<u>1,471,176</u>	
Creditors amounts falling due within one year	9	<u>(1,672,027)</u>		<u>(874,371)</u>	
Net current assets			<u>570,443</u>		<u>596,805</u>
Total assets less current liabilities			630,111		685,849
Provisions for liabilities	10		<u>(10,130)</u>		<u>(17,685)</u>
			<u>619,981</u>		<u>668,164</u>
Capital and reserves					
Called up share capital	11		360,000		360,000
Profit and loss account	12		259,981		308,164
Shareholders' funds	13		<u>619,981</u>		<u>668,164</u>

Approved by the Board and authorised for issue on 20 April 2012


Adrian Chorley
Director

Company Registration No 04240845

XCONNECT TRADING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	£	2011 £	£	2010 £
Net cash inflow from operating activities		452,425		214,386
Returns on investments and servicing of finance				
Interest received	-		3,988	
Interest paid	(1,799)		(4,706)	
Net cash outflow for returns on investments and servicing of finance		(1,799)		(718)
Taxation		(25,415)		(168,022)
Capital expenditure				
Payments to acquire tangible assets	-		(36,421)	
Net cash outflow for capital expenditure		-		(36,421)
Net cash inflow before management of liquid resources and financing		425,211		9,225
Increase in cash in the year		425,211		9,225

XCONNECT TRADING LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

1	Reconciliation of operating (loss)/profit to net cash inflow from operating activities		2011	2010	
			£	£	
	Operating (loss)/profit		(49,272)	74,384	
	Depreciation of tangible assets		29,376	33,663	
	Increase in debtors		(346,083)	(57,278)	
	Increase in creditors within one year		818,404	163,617	
	Net cash inflow from operating activities		<u>452,425</u>	<u>214,386</u>	
2	Analysis of net funds	1 January 2011	Cash flow	Other non-cash changes	31 December 2011
		£	£	£	£
	Net cash				
	Cash at bank and in hand	1,053,769	425,211	-	1,478,980
	Bank deposits	-	-	-	-
	Net funds	<u>1,053,769</u>	<u>425,211</u>	<u>-</u>	<u>1,478,980</u>
3	Reconciliation of net cash flow to movement in net funds		2011	2010	
			£	£	
	Increase in cash in the year		425,211	9,225	
	Movement in net funds in the year		425,211	9,225	
	Opening net funds		1,053,769	1,044,544	
	Closing net funds		<u>1,478,980</u>	<u>1,053,769</u>	

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

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	33% on a reducing balance basis
Fixtures, fittings & equipment	33% on a reducing balance basis

1.5 Leasing

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

1.8 Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements

2 Turnover

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

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

3	Operating (loss)/profit	2011	2010
		£	£
	Operating (loss)/profit is stated after charging		
	Depreciation of tangible assets	29,376	33,663
	Loss on foreign exchange transactions	3,310	36,116
	Operating lease rentals	278,630	307,753
		<u> </u>	<u> </u>
	Auditors' remuneration		
	Fees payable to the company's auditor for the audit of the company's annual accounts	11,000	10,000
	Taxation	3,223	2,500
		<u> </u>	<u> </u>
		14,223	12,500
		<u> </u>	<u> </u>
4	Investment income	2011	2010
		£	£
	Bank interest	-	3,988
		<u> </u>	<u> </u>
		-	3,988
		<u> </u>	<u> </u>
5	Interest payable	2011	2010
		£	£
	On bank loans and overdrafts	1,799	4,706
		<u> </u>	<u> </u>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

6 Taxation	2011 £	2010 £
Domestic current year tax		
U K corporation tax	4,667	25,415
Adjustment for prior years	-	1,689
	<u>4,667</u>	<u>27,104</u>
Deferred tax		
Deferred tax charge/credit current year	(7,555)	896
	<u>(2,888)</u>	<u>28,000</u>
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(51,071)	73,666
	<u>(10,214)</u>	<u>15,470</u>
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2010 - 21.00%)	(10,214)	15,470
Effects of		
Non deductible expenses	9,984	11,883
Depreciation add back	5,875	7,069
Capital allowances	(1,035)	(9,007)
Adjustments to previous periods	-	1,689
Other tax adjustments	57	-
	<u>14,881</u>	<u>11,634</u>
Current tax charge for the year	<u>4,667</u>	<u>27,104</u>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

7 Tangible fixed assets	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 January 2011 & at 31 December 2011	210,884	42,756	253,640
Depreciation			
At 1 January 2011	126,139	38,457	164,596
Charge for the year	27,960	1,416	29,376
At 31 December 2011	154,099	39,873	193,972
Net book value			
At 31 December 2011	56,785	2,883	59,668
At 31 December 2010	84,745	4,299	89,044

8 Debtors	2011	2010
	£	£
Other debtors	580,512	277,445
Prepayments and accrued income	182,978	139,962
	763,490	417,407

9 Creditors' amounts falling due within one year	2011	2010
	£	£
Trade creditors	465,632	487,953
Corporation tax	4,667	25,415
Other taxes and social security costs	25,727	29,943
Other creditors	98,000	-
Accruals and deferred income	1,078,001	331,060
	1,672,027	874,371

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

10 Provisions for liabilities

	Deferred tax liability £
Balance at 1 January 2011	17,685
Profit and loss account	(7,555)
	<u>10,130</u>
Balance at 31 December 2011	<u>10,130</u>

The deferred tax liability is made up as follows

	2011 £	2010 £
Accelerated capital allowances	<u>10,130</u>	<u>17,685</u>

11 Share capital

	2011 £	2010 £
Allotted, called up and fully paid 360,000 Ordinary shares of £1 each	<u>360,000</u>	<u>360,000</u>

12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2011	308,164
Loss for the year	(48,183)
	<u>259,981</u>
Balance at 31 December 2011	<u>259,981</u>

13 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
(Loss)/Profit for the financial year	(48,183)	45,666
Opening shareholders' funds	<u>668,164</u>	<u>622,498</u>
Closing shareholders' funds	<u>619,981</u>	<u>668,164</u>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

14 Financial commitments

At 31 December 2011 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2012

	Land and buildings	
	2011	2010
	£	£
Operating leases which expire Between two and five years	278,017	278,017

15 Directors' remuneration

	2011	2010
	£	£
Remuneration for qualifying services	80,000	80,000

16 Employees

Number of employees

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

	2011 Number	2010 Number
Management and operations	6	6
Broking and administration	8	8
	14	14

Employment costs

	2011 £	2010 £
Wages and salaries	751,153	750,317
Social security costs	90,129	97,050
	841,282	847,367

17 Control

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

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

18 Related party relationships and transactions

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

During the year the company paid commission amounting to £nil (2010 - £420,000) to Xconnect Derivatives LLP. At the year end the company was owed £17,715 (2010 - £2,822) by Xconnect Derivatives LLP, owed £100,000 (2010 £50,000) by Ten Derivatives LLP and owed £98,000 to Xconnect Market Maker LLP