

Company Registration No. 4240845 (England and Wales)

XCONNECT TRADING LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



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XCONNECT TRADING LIMITED

COMPANY INFORMATION

Directors	Paul White Mark Limbert
Secretary	Mark Limbert
Company number	4240845
Registered office	8-10 Old Jewry London EC2R 8DN
Auditors	The Gallagher Partnership LLP 69/85 Tabernacle Street London EC2A 4RR
Business address	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 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The principal activity of the company is to provide administration and market access to traders 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 continued growth in the foreseeable future.

Results and dividends

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

Directors

The following directors have held office since 1 January 2005:

Paul White
Mark Limbert

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2005	1 January 2005
Paul White	247,000	95,000
Mark Limbert	13,000	5,000

Charitable donations

	2005	2004
	£	£
During the year the company made the following payments:		
Charitable donations	700	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution 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 2005

Directors' responsibilities

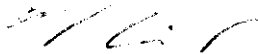
The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

United Kingdom company law requires the directors to prepare financial statements for each financial year which 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 which 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 the system of internal control and safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Mark Limbert

31 March 2006

XCONNECT TRADING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF XCONNECT TRADING LIMITED

We have audited the financial statements of XConnect Trading Limited for the year ended 31 December 2005 set out on pages 5 to 17. These financial statements have been prepared in accordance with 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

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or 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 transactions with the company 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

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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


The Gallagher Partnership LLP

Chartered Accountants
Registered Auditor


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69/85 Tabernacle Street
London
EC2A 4RR

XCONNECT TRADING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	31 December 2005 £	9 Months to 31 December 2004 £
Turnover	2	2,696,312	1,094,309
Cost of sales		(956,814)	(326,723)
Gross profit		1,739,498	767,586
Administrative expenses		(1,559,972)	(781,395)
Operating profit/(loss)	3	179,526	(13,809)
Other interest receivable and similar income	4	21,929	324
Interest payable and similar charges	5	(12,214)	(1,037)
Profit/(loss) on ordinary activities before taxation		189,241	(14,522)
Tax on profit/(loss) on ordinary activities	6	(22,500)	-
Profit/(loss) on ordinary activities after taxation	14	166,741	(14,522)

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 2005

	Notes	2005		2004	
		£	£	£	£
Fixed assets					
Tangible assets	7		114,417		55,130
Current assets					
Debtors	8	149,400		300,373	
Cash at bank and in hand		666,082		177,110	
		<u>815,482</u>		<u>477,483</u>	
Creditors: amounts falling due within one year	9	<u>(442,922)</u>		<u>(455,933)</u>	
Net current assets			<u>372,560</u>		<u>21,550</u>
Total assets less current liabilities			<u>486,977</u>		<u>76,680</u>
Creditors: amounts falling due after more than one year	10		(101,268)		-
Provisions for liabilities and charges	11		(7,600)		-
Accruals and deferred income	12		(69,607)		(94,919)
			<u>308,502</u>		<u>(18,239)</u>
Capital and reserves					
Called up share capital	13		260,000		100,000
Profit and loss account	14		48,502		(118,239)
Shareholders' funds - equity interests	15		<u>308,502</u>		<u>(18,239)</u>

The financial statements were approved by the Board on 31 March 2006


Paul White
Director

XCONNECT TRADING LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	£	2005 £	£	2004 £
Net cash inflow from operating activities		350,758		103,379
Returns on investments and servicing of finance				
Interest received	21,929		324	
Interest paid	(12,214)		(1,037)	
		<u>9,715</u>		<u>(713)</u>
Net cash inflow/(outflow) for returns on investments and servicing of finance		9,715		(713)
Capital expenditure				
Payments to acquire tangible assets	(93,288)		(71,296)	
Receipts from sales of tangible assets	11,727		-	
		<u>(81,561)</u>		<u>(71,296)</u>
Net cash outflow for capital expenditure		(81,561)		(71,296)
		<u>278,912</u>		<u>31,370</u>
Net cash inflow before management of liquid resources and financing		278,912		31,370
Financing				
Issue of ordinary share capital	160,000		-	
Other new long term loans	50,000		-	
Rent rebate	-		59,640	
Capital element of hire purchase contracts	59,034		-	
		<u>269,034</u>		<u>59,640</u>
Net cash inflow from financing		269,034		59,640
Increase in cash in the year		<u>547,946</u>		<u>91,010</u>

XCONNECT TRADING LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

1 Reconciliation of operating profit/(loss) to net cash inflow from operating activities	2005	2004
	£	£
Operating profit/(loss)	179,526	(13,809)
Depreciation of tangible assets	18,592	24,953
Loss on disposal of tangible assets	3,682	-
Decrease/(increase) in debtors	150,973	(108,650)
Increase in creditors within one year	23,297	232,524
Movement on grant provision	(25,312)	(31,639)
Net cash inflow from operating activities	350,758	103,379

2 Analysis of net funds	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
	£	£	£	£
Net cash:				
Cash at bank and in hand	177,110	488,972	-	666,082
Bank overdrafts	(76,950)	58,974	-	(17,976)
	<u>100,160</u>	<u>547,946</u>	<u>-</u>	<u>648,106</u>
Bank deposits	-	-	-	-
Debt:				
Finance leases	-	(59,034)	-	(59,034)
Debts falling due after one year	-	(50,000)	-	(50,000)
	<u>-</u>	<u>(109,034)</u>	<u>-</u>	<u>(109,034)</u>
Net funds	<u>100,160</u>	<u>438,912</u>	<u>-</u>	<u>539,072</u>

3 Reconciliation of net cash flow to movement in net funds	2005	2004
	£	£
Increase in cash in the year	547,946	91,010
Cash inflow from increase in debt and lease financing	(109,034)	-
Movement in net funds in the year	438,912	91,010
Opening net funds	100,160	9,150
Closing net funds	<u>539,072</u>	<u>100,160</u>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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 law and United Kingdom Accounting Standards.

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

Corporation tax payable is provided on taxable profits at the current rates.

Deferred tax is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations of periods different from those in which they are included in the financial statements. Deferred assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not 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 2005

2 Turnover

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

3 Operating profit/(loss)	2005 £	2004 £
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	18,592	24,953
Loss on disposal of tangible assets	3,682	-
Loss on foreign exchange transactions	422	6,781
Operating lease rentals	227,804	227,855
Auditors' remuneration	12,000	11,500

4 Investment income	2005 £	2004 £
Bank interest	21,929	324

5 Interest payable	2005 £	2004 £
On bank loans and overdrafts	10,880	1,037
Hire purchase interest	1,334	-

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

6 Taxation	2005	2004
	£	£
Domestic current year tax		
U.K. corporation tax	14,900	-
	<u>14,900</u>	<u>-</u>
Current tax charge	14,900	-
Deferred tax		
Deferred tax charge/credit current year	7,600	-
	<u>22,500</u>	<u>-</u>
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	189,241	(14,522)
	<u>189,241</u>	<u>(14,522)</u>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004: 19.00%)	35,956	(2,759)
	<u>35,956</u>	<u>(2,759)</u>
Effects of:		
Non deductible expenses	6,082	2,881
Depreciation add back	2,093	4,741
Capital allowances	(2,066)	(11,838)
Tax losses utilised	(26,899)	6,975
Other tax adjustments	(266)	-
	<u>(21,056)</u>	<u>2,759</u>
Current tax charge	14,900	-
	<u>14,900</u>	<u>-</u>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

7 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2005	64,467	16,873	-	81,340
Additions	8,174	15,163	69,950	93,287
Disposals	(38,673)	-	-	(38,673)
At 31 December 2005	33,968	32,036	69,950	135,954
Depreciation				
At 1 January 2005	20,586	5,623	-	26,209
On disposals	(23,264)	-	-	(23,264)
Charge for the year	10,200	7,142	1,250	18,592
At 31 December 2005	7,522	12,765	1,250	21,537
Net book value				
At 31 December 2005	26,446	19,271	68,700	114,417
At 31 December 2004	43,880	11,250	-	55,130

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles
	£
Net book values	
At 31 December 2005	68,700
Depreciation charge for the year	
At 31 December 2005	1,250

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

8 Debtors	2005 £	2004 £
Trade debtors	123,182	65,954
Called up share capital not paid	-	99,999
Other debtors	11,682	57,412
Prepayments and accrued income	14,536	77,008
	<u>149,400</u>	<u>300,373</u>

9 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loans and overdrafts	17,976	76,950
Net obligations under hire purchase contracts	7,766	-
Trade creditors	139,379	112,598
Amounts owed to participating interests	95,776	-
Corporation tax	14,900	-
Other taxes and social security costs	48,523	33,784
Directors' current accounts	854	59,921
Accruals and deferred income	117,748	172,680
	<u>442,922</u>	<u>455,933</u>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

10 Creditors: amounts falling due after more than one year	2005 £	2004 £
Other loans	50,000	-
Net obligations under hire purchase contracts	51,268	-
	<u>101,268</u>	<u>-</u>
Analysis of loans		
Wholly repayable within five years	50,000	-
	<u>50,000</u>	<u>-</u>
Loan maturity analysis		
In more than two years but not more than five years	50,000	-
	<u>50,000</u>	<u>-</u>
The loan is from the director and is unsecured and interest free.		
Net obligations under hire purchase contracts		
Repayable within one year	14,194	-
Repayable between one and five years	56,022	-
	<u>70,216</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(11,182)	-
	<u>59,034</u>	<u>-</u>
Included in liabilities falling due within one year	(7,766)	-
	<u>51,268</u>	<u>-</u>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

11 Provisions for liabilities and charges

	Deferred tax liability £
Profit and loss account	7,600
Balance at 31 December 2005	<u>7,600</u>

The deferred tax liability is made up as follows:

	2005 £	2004 £
Accelerated capital allowances	<u>7,600</u>	<u>-</u>

12 Accruals and deferred income

	Deferred rent £
Balance at 1 January 2005	94,919
Deferred rent	-
Amortisation in the year	<u>(25,312)</u>
Balance at 31 December 2005	<u>69,607</u>

13 Share capital

	2005 £	2004 £
Authorised		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
260,000 Ordinary shares of £1 each	<u>260,000</u>	<u>100,000</u>

On 7 April 2005 the company increased its authorised share capital by £900,000 beyond the registered capital of £100,000 by creation of additional 900,000 ordinary shares of £1 each.

During the year 160,000 ordinary shares of £1 each were allotted and fully paid at par for cash consideration to provide additional working capital.

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2005	(118,239)
Retained profit for the year	166,741
	<hr/>
Balance at 31 December 2005	48,502
	<hr/> <hr/>

15 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit/(Loss) for the financial year	166,741	(14,522)
Proceeds from issue of shares	160,000	-
	<hr/>	<hr/>
Net addition to/(depletion in) shareholders' funds	326,741	(14,522)
Opening shareholders' funds	(18,239)	(3,717)
	<hr/>	<hr/>
Closing shareholders' funds	308,502	(18,239)
	<hr/> <hr/>	<hr/> <hr/>

16 Financial commitments

At 31 December 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2006:

	Land and buildings	
	2005 £	2004 £
Operating leases which expire:		
Between two and five years	253,116	253,116
	<hr/>	<hr/>

17 Directors' emoluments

	2005 £	2004 £
Emoluments for qualifying services	83,334	-
	<hr/>	<hr/>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

18 Employees

Number of employees

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

	2005 Number	2004 Number
Management and operations	5	5
Trading and administration	10	-
	<u>15</u>	<u>5</u>

Employment costs

	2005 £	2004 £
Wages and salaries	818,044	276,008
Social security costs	111,145	-
	<u>929,189</u>	<u>276,008</u>

19 Control

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

20 Related party transactions

Messrs White and Limbert, executive directors of the company, are also beneficial partners of Xconnect Derivatives LLP. During the year the company charged Xconnect Derivatives LLP £123,016 for rent and other services. All transactions were at arms length. At the year end the company owed Xconnect Trading LLP £95,776.