

Company Registration No. 04240845 (England and Wales)

XCONNECT TRADING LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

WEDNESDAY



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COMPANIES HOUSE

XCONNECT TRADING LIMITED

COMPANY INFORMATION

Directors

Paul White
Adrian Chorley

Company number

04240845

Registered office

8-10 Old Jewry
London
EC2R 8DN

Auditors

The Gallagher Partnership LLP
69/85 Tabernacle Street
London
EC2A 4RR

XCONNECT TRADING LIMITED

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XCONNECT TRADING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

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 and analysis of the business during the current year

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 Conduct Authority.

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 £453,931 and an increase in shareholders' funds from £804,861 to £1,258,792. The company generated cash from operations of £735,782 in the current year and invested £195,899 in fixed assets.

Principal risks and uncertainties facing the business

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.

Key performance indicators

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.

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.

Financial Instruments

The company operates in the financial services sector which is governed by regulators and monitored by the Financial Conduct Authority.

The turnover of the company consists of amount receivable for services provided to professional trading teams and brokers.

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.

XCONNECT TRADING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

The main risk arising from the company's financial instruments is liquidity risk and 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 balance between continuity of funding and flexibility through the use of short-term deposits where surplus funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to purchasing authorities and the regular monitoring of amounts outstanding for both time and credit limits.

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

The company is exposed to interest rate risk with regard to holdings in cash. Cash holdings are placed on deposit at fixed and 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.

This report was approved by the board and signed on its behalf by:



Paul White
Director
27 April 2015

XCONNECT TRADING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and financial statements for the year ended 31 December 2014.

Results and dividends

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

It is proposed that the retained profit of £453,931 is transferred to reserves.

Directors

The following directors have held office since 1 January 2014:

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.

Statement of 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.

XCONNECT TRADING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014


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.

Disclosure in the Strategic Report

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

On behalf of the board


Adrian Chorley
Director
27 April 2015

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 2014 set out on pages 7 to 17. 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 3 - 4, 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 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 2014 and of its profit 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 Strategic Report and 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**

27 April 2015

**Chartered Accountants
Statutory Auditor**

69/85 Tabernacle Street
London
EC2A 4RR

XCONNECT TRADING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Turnover	2	11,717,476	9,674,253
Cost of sales		(9,372,465)	(7,292,608)
Gross profit		2,345,011	2,381,645
Administrative expenses		(1,785,706)	(1,747,461)
Operating profit	3	559,305	634,184
Other interest receivable and similar income	4	1,762	5,500
Profit on ordinary activities before taxation		561,067	639,684
Tax on profit on ordinary activities	5	(107,136)	(168,893)
Profit for the year	13	453,931	470,791

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 2014

	Notes	2014 £	£	2013 £	£
Fixed assets					
Tangible assets	7		210,841		77,085
Current assets					
Debtors	8	1,292,569		1,054,075	
Cash at bank and in hand		1,602,265		1,226,712	
		<u>2,894,834</u>		<u>2,280,787</u>	
Creditors: amounts falling due within one year	9	<u>(1,646,097)</u>		<u>(1,538,464)</u>	
Net current assets			<u>1,248,737</u>		<u>742,323</u>
Total assets less current liabilities			<u>1,459,578</u>		<u>819,408</u>
Creditors: amounts falling due after more than one year	10		(165,391)		-
Provisions for liabilities	11		<u>(35,395)</u>		<u>(14,547)</u>
			<u>1,258,792</u>		<u>804,861</u>
Capital and reserves					
Called up share capital	12		360,000		360,000
Profit and loss account	13		898,792		444,861
Shareholders' funds	14		<u>1,258,792</u>		<u>804,861</u>

Approved by the Board and authorised for issue on 27 April 2015

Adrian Chorley
Director

Company Registration No. 04240845

XCONNECT TRADING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014		2013
	£	£	£
Net cash inflow from operating activities	735,782		219,474
Returns on investments and servicing of finance			
Interest received	1,762	5,500	
	<u>1,762</u>	<u>5,500</u>	
Net cash inflow for returns on investments and servicing of finance	1,762		5,500
Taxation	(166,092)		(45,170)
Capital expenditure			
Payments to acquire tangible assets	(195,899)	(52,522)	
	<u>(195,899)</u>	<u>(52,522)</u>	
Net cash outflow for capital expenditure	(195,899)		(52,522)
Equity dividends paid	-		(760,000)
	<u>-</u>		<u>(760,000)</u>
Net cash inflow/(outflow) before management of liquid resources and financing	375,553		(632,718)
	<u>375,553</u>		<u>(632,718)</u>
Increase/(decrease) in cash in the year	<u>375,553</u>		<u>(632,718)</u>

XCONNECT TRADING LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

1 Reconciliation of operating profit to net cash outflow from operating activities		2014		2013
		£		£
Operating profit		559,305		634,184
Depreciation of tangible assets		62,143		15,216
Increase in debtors		(232,244)		(149,663)
Increase/(decrease) in creditors		346,578		(280,263)
Net cash inflow from operating activities		735,782		219,474
2 Analysis of net funds	1 January 2014	Cash flow	Other non-cash changes	31 December 2014
	£	£	£	£
Net cash:				
Cash at bank and in hand	1,226,712	375,553	-	1,602,265
Net funds	1,226,712	375,553	-	1,602,265
3 Reconciliation of net cash flow to movement in net funds		2014		2013
		£		£
Increase/(decrease) in cash in the year		375,553		(632,718)
Movement in net funds in the year		375,553		(632,718)
Opening net funds		1,226,712		1,859,430
Closing net funds		1,602,265		1,226,712

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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:

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

1.5 Leasing

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

1.6 Deferred 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 2014

3	Operating profit	2014	2013
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	62,143	15,216
	Loss on foreign exchange transactions	32,337	-
	Operating lease rentals	277,423	288,188
	and after crediting:		
	Profit on foreign exchange transactions	-	(13,650)
		<u> </u>	<u> </u>
	Auditors' remuneration		
	Fees payable to the company's auditor for the audit of the company's annual accounts	8,000	11,000
	Taxation compliance services	1,750	2,500
		<u> </u>	<u> </u>
		9,750	13,500
		<u> </u>	<u> </u>
4	Investment income	2014	2013
		£	£
	Bank interest	1,762	5,500
		<u> </u>	<u> </u>
		1,762	5,500
		<u> </u>	<u> </u>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

5 Taxation	2014	2013
	£	£
Domestic current year tax		
U.K. corporation tax	86,288	159,842
Total current tax	<u>86,288</u>	<u>159,842</u>
Deferred tax		
Deferred tax charge/credit current year	20,848	9,051
	<u>107,136</u>	<u>168,893</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>561,067</u>	<u>639,684</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00% (2013 - 23.00%)	<u>117,824</u>	<u>147,127</u>
Effects of:		
Non deductible expenses	(3,214)	26,602
Depreciation add back	13,050	3,500
Capital allowances	(39,413)	(12,779)
Marginal relief	(4,031)	(6,371)
Change in tax rate in year	2,072	1,763
	<u>(31,536)</u>	<u>12,715</u>
Current tax charge for the year	<u>86,288</u>	<u>159,842</u>
6 Dividends	2014	2013
	£	£
Ordinary interim paid	<u>-</u>	<u>760,000</u>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

7 Tangible fixed assets	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 January 2014	-	263,406	42,756	306,162
Additions	90,487	57,078	48,334	195,899
At 31 December 2014	90,487	320,484	91,090	502,061
Depreciation				
At 1 January 2014	-	186,321	42,756	229,077
Charge for the year	16,870	40,092	5,181	62,143
At 31 December 2014	16,870	226,413	47,937	291,220
Net book value				
At 31 December 2014	73,617	94,071	43,153	210,841
At 31 December 2013	-	77,085	-	77,085

8 Debtors	2014 £	2013 £
Corporation tax	6,250	-
Other debtors	1,079,566	840,050
Prepayments and accrued income	206,753	214,025
	1,292,569	1,054,075

9 Creditors: amounts falling due within one year	2014 £	2013 £
Trade creditors	241,837	316,839
Corporation tax	86,288	159,842
Other taxes and social security costs	20,613	29,257
Other creditors	92,045	-
Accruals and deferred income	1,205,314	1,032,526
	1,646,097	1,538,464

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

10	Creditors: amounts falling due after more than one year	2014	2013
		£	£
	Accruals	165,391	-
		<u> </u>	<u> </u>

11	Provisions for liabilities		Deferred tax liability
			£
	Balance at 1 January 2014		14,547
	Profit and loss account		20,848
	Balance at 31 December 2014		<u>35,395</u>

The deferred tax liability is made up as follows:

	2014	2013
	£	£
Accelerated capital allowances	35,395	14,547
	<u> </u>	<u> </u>

12	Share capital	2014	2013
		£	£
	Allotted, called up and fully paid		
	360,000 Ordinary shares of £1 each	360,000	360,000
		<u> </u>	<u> </u>

13	Statement of movements on profit and loss account		Profit and loss account
			£
	Balance at 1 January 2014		444,861
	Profit for the year		453,931
	Balance at 31 December 2014		<u>898,792</u>

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

14 Reconciliation of movements in Shareholders' funds	2014	2013
	£	£
Profit for the financial year	453,931	470,791
Dividends	-	(760,000)
Net addition to/(depletion in) shareholders' funds	453,931	(289,209)
Opening Shareholders' funds	804,861	1,094,070
Closing Shareholders' funds	<u>1,258,792</u>	<u>804,861</u>

15 Financial commitments

At 31 December 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2015:

	Land and buildings	
	2014	2013
	£	£
Operating leases which expire:		
Between two and five years	<u>217,917</u>	<u>-</u>

16 Directors' remuneration	2014	2013
	£	£
Remuneration for qualifying services	<u>60,000</u>	<u>73,333</u>

17 Control

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

XCONNECT TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

18 Employees

Number of employees

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

	2014 Number	2013 Number
Management and operations	6	6
Broking and administration	8	8
	<u>14</u>	<u>14</u>

Employment costs

	2014 £	2013 £
Wages and salaries	675,502	651,570
Social security costs	73,625	71,670
	<u>749,127</u>	<u>723,240</u>

19 Related party relationships and transactions

Dividends to Directors

The following directors were paid dividends during the year as outlined in the table below:

	2014 £	2013 £
Paul White	-	760,000
	<u>-</u>	<u>760,000</u>

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

During the year the company expensed £505,000 (2013:£240,000) for commission due to Xconnect Derivatives LLP and at the year end the company owed £92,045 (2013 debtor: £18,755) to Xconnect Derivatives LLP. At the year end the company was owed £4,538 (2013: £6,250) by Xconnect Market Maker LLP.

XCONNECT TRADING LIMITED

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

FOR THE YEAR ENDED 31 DECEMBER 2014

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

XCONNECT TRADING LIMITED

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

FOR THE YEAR ENDED 31 DECEMBER 2014

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.

In the United Kingdom, 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 and has been verified by senior management. All figures are as at the end of the financial year.

The Firm is permitted to omit required disclosures if it believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about it. The Firm may also omit required disclosures where it regards the information as being proprietary or confidential. Proprietary information is that which, if it were shared, would undermine the Firm's competitive position. Information is considered to be confidential where the Firm has such obligations to customers, suppliers or counterparties.

No 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 Limited Licence Firm by the FCA for capital purposes and it has no trading book exposures nor does it hold client money.

Risk management

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

XCONNECT TRADING LIMITED

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

FOR THE YEAR ENDED 31 DECEMBER 2014

policy and procedures having regard to the relevant laws, standards, principles and rules, (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies are updated as required.

Senior management has identified that business, operational, execution, and credit risk are the main exposures. Senior management formally review the Firm's risks, controls and risk mitigation annually 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.

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 risk is unlikely to materialise and such errors are historically rare.

Credit risk

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

Regulatory capital

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

	31 December 2014
Pillar 1 capital requirement	£456,000
Pillar 2 capital requirement	£134,000
Total capital requirement	£590,000
Tier 1 Capital	£1,259,000
Surplus of funds	£669,000

XCONNECT TRADING LIMITED

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

FOR THE YEAR ENDED 31 DECEMBER 2014

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 limited licence firm and as such its Pillar 1 capital requirement is the higher of:-

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

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

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

Remuneration Code Disclosure

The Firm is authorised and regulated by the Financial Conduct Authority as a Limited Licence Firm and so it is subject to FCA Rules on remuneration. These are contained in the FCA’s Remuneration Code located in the SYSC Sourcebook of the FCA’s Handbook. The Remuneration Code (“the RemCode”) covers an individual’s total remuneration, fixed and variable. The Firm incentivises Staff through a combination of the two.

Our Policy is designed to ensure that we comply with the RemCode and the Firm’s compensation arrangements:

- i. are consistent with and promote sound and effective risk management;
- ii. do not encourage excessive risk taking;
- iii. include measures to avoid conflicts of interest; and,
- iv. are in line with its business strategy, objectives, values and long term interests.

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 the business.

XCONNECT TRADING LIMITED

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

FOR THE YEAR ENDED 31 DECEMBER 2014

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.