

Company Registration No. 4240845 (England and Wales)

**XCONNECT TRADING LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

WEDNESDAY



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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 2006**

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The directors present their report and financial statements for the year ended 31 December 2006

### 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 2006

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 2006	1 January 2006
Paul White	247,000	247,000
Mark Limbert	13,000	13,000

Charitable donations	2006	2005
	£	£

During the year the company made the following payments

Charitable donations	-	700
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### 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 2006**

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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 auditor**

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Mark Limbert

**Director**

23 March 2007

# **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 2006 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 2006 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

24 April 2007

69/85 Tabernacle Street  
London  
EC2A 4RR

# XCONNECT TRADING LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

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	Notes	2006 £	2005 £
Turnover	2	2,457,163	2,696,312
Cost of sales		<u>(990,382)</u>	<u>(956,814)</u>
<b>Gross profit</b>		1,466,781	1,739,498
Administrative expenses		<u>(1,467,060)</u>	<u>(1,559,972)</u>
<b>Operating (loss)/profit</b>	3	(279)	179,526
Other interest receivable and similar income	4	30,488	21,929
Interest payable and similar charges	5	<u>(19,031)</u>	<u>(12,214)</u>
<b>Profit on ordinary activities before taxation</b>		11,178	189,241
Tax on profit on ordinary activities	6	<u>(5,841)</u>	<u>(22,500)</u>
<b>Profit for the year</b>	14	<u><u>5,337</u></u>	<u><u>166,741</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



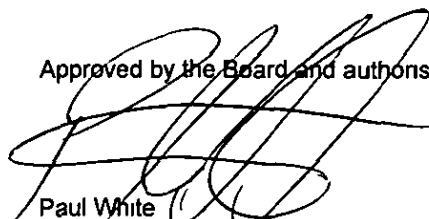
# XCONNECT TRADING LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	2006		2005	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		65,369		114,417
<b>Current assets</b>					
Debtors	8	316,660		149,400	
Cash at bank and in hand		657,464		666,082	
		<u>974,124</u>		<u>815,482</u>	
<b>Creditors' amounts falling due within one year</b>	9	<u>(628,259)</u>		<u>(442,922)</u>	
<b>Net current assets</b>			<u>345,865</u>		<u>372,560</u>
<b>Total assets less current liabilities</b>			<u>411,234</u>		<u>486,977</u>
<b>Creditors' amounts falling due after more than one year</b>	10		(50,000)		(101,268)
<b>Provisions for liabilities</b>	11		(3,100)		(7,600)
<b>Accruals and deferred income</b>	12		(44,295)		(69,607)
			<u>313,839</u>		<u>308,502</u>
<b>Capital and reserves</b>					
Called up share capital	13		260,000		260,000
Profit and loss account	14		53,839		48,502
<b>Shareholders' funds</b>	15		<u>313,839</u>		<u>308,502</u>

Approved by the Board and authorised for issue on 23 March 2007

  
Paul White  
Director

# XCONNECT TRADING LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	£	£
<b>Net cash inflow from operating activities</b>	47,051	350,758
<b>Returns on investments and servicing of finance</b>		
Interest received	30,488	21,929
Interest paid	(19,031)	(12,214)
<b>Net cash inflow for returns on investments and servicing of finance</b>	11,457	9,715
<b>Taxation</b>	(14,886)	-
<b>Capital expenditure</b>		
Payments to acquire tangible assets	(47,167)	(93,288)
Receipts from sales of tangible assets	68,700	11,727
<b>Net cash inflow/(outflow) for capital expenditure</b>	21,533	(81,561)
<b>Net cash inflow before management of liquid resources and financing</b>	65,155	278,912
<b>Financing</b>		
Issue of ordinary share capital	-	160,000
Other new long term loans	-	50,000
Capital element of hire purchase contracts	(59,034)	60,190
<b>Net cash (outflow)/inflow from financing</b>	(59,034)	269,034
<b>Increase in cash in the year</b>	6,121	547,946

# XCONNECT TRADING LIMITED

## NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

<b>1</b>	<b>Reconciliation of operating (loss)/profit to net cash inflow from operating activities</b>		<b>2006</b>	<b>2005</b>	
			£	£	
	Operating (loss)/profit		(279)	179,526	
	Depreciation of tangible assets		27,515	18,592	
	Loss on disposal of tangible assets		-	3,682	
	(Increase)/decrease in debtors		(167,260)	150,973	
	Increase in creditors within one year		212,387	23,297	
	Movement on grant provision		(25,312)	(25,312)	
	<b>Net cash inflow from operating activities</b>		<b>47,051</b>	<b>350,758</b>	
<b>2</b>	<b>Analysis of net funds</b>	<b>1 January 2006</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 December 2006</b>
		£	£	£	£
	Net cash				
	Cash at bank and in hand	666,082	(8,618)	-	657,464
	Bank overdrafts	(17,976)	14,739	-	(3,237)
		<u>648,106</u>	<u>6,121</u>	<u>-</u>	<u>654,227</u>
	Bank deposits	-	-	-	-
	Debt				
	Finance leases	(59,034)	59,034	-	-
	Debts falling due after one year	(50,000)	-	-	(50,000)
	<b>Net funds</b>	<u>539,072</u>	<u>65,155</u>	<u>-</u>	<u>604,227</u>
<b>3</b>	<b>Reconciliation of net cash flow to movement in net funds</b>		<b>2006</b>	<b>2005</b>	
			£	£	
	Increase in cash in the year		6,121	547,946	
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		59,034	(109,034)	
	<b>Movement in net funds in the year</b>		<b>65,155</b>	<b>438,912</b>	
	Opening net funds		539,072	100,160	
	<b>Closing net funds</b>		<b>604,227</b>	<b>539,072</b>	

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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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

### 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 2006

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<b>3</b>	<b>Operating (loss)/profit</b>	<b>2006</b>	<b>2005</b>
		£	£
	Operating (loss)/profit is stated after charging		
	Depreciation of tangible assets	27,515	18,592
	Loss on disposal of tangible assets	-	3,682
	Loss on foreign exchange transactions	24,942	422
	Operating lease rentals	258,182	227,804
	Auditors' remuneration	12,500	12,000
		<u>          </u>	<u>          </u>
<b>4</b>	<b>Investment income</b>	<b>2006</b>	<b>2005</b>
		£	£
	Bank interest	30,488	21,929
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Interest payable</b>	<b>2006</b>	<b>2005</b>
		£	£
	On bank loans and overdrafts	16,588	10,880
	Hire purchase interest	2,443	1,334
		<u>          </u>	<u>          </u>
		<u>19,031</u>	<u>12,214</u>

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# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

6 Taxation	2006 £	2005 £
<b>Domestic current year tax</b>		
U K corporation tax	10,341	14,900
	<u>10,341</u>	<u>14,900</u>
<b>Current tax charge</b>	10,341	14,900
<b>Deferred tax</b>		
Deferred tax charge/credit current year	(4,500)	7,600
	<u>(4,500)</u>	<u>7,600</u>
	<u>5,841</u>	<u>22,500</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	11,178	189,241
	<u>11,178</u>	<u>189,241</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2005 - 19.00%)	2,124	35,956
	<u>2,124</u>	<u>35,956</u>
<b>Effects of</b>		
Non deductible expenses	5,799	6,082
Depreciation add back	5,228	2,093
Capital allowances	(2,798)	(2,066)
Tax losses utilised	-	(26,899)
Other tax adjustments	(12)	(266)
	<u>8,217</u>	<u>(21,056)</u>
<b>Current tax charge</b>	<u>10,341</u>	<u>14,900</u>

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 7 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2006	33,968	32,036	69,950	135,954
Additions	44,391	2,776	-	47,167
Disposals	-	-	(69,950)	(69,950)
At 31 December 2006	78,359	34,812	-	113,171
<b>Depreciation</b>				
At 1 January 2006	7,522	12,765	1,250	21,537
On disposals	-	-	(1,250)	(1,250)
Charge for the year	17,737	9,778	-	27,515
At 31 December 2006	25,259	22,543	-	47,802
<b>Net book value</b>				
At 31 December 2006	53,100	12,269	-	65,369
At 31 December 2005	26,446	19,271	68,700	114,417

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

	Motor vehicles £
<b>Net book values</b>	
At 31 December 2006	-
At 31 December 2005	68,700
<b>Depreciation charge for the year</b>	
At 31 December 2006	-
At 31 December 2005	1,250

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

<b>8 Debtors</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade debtors	-	123,182
Other debtors	165,652	11,682
Prepayments and accrued income	151,008	14,536
	<u>316,660</u>	<u>149,400</u>
<b>9 Creditors: amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	3,237	17,976
Net obligations under hire purchase contracts	-	7,766
Trade creditors	346,515	139,379
Amounts owed to participating interests	-	95,776
Corporation tax	10,355	14,900
Other taxes and social security costs	23,273	48,523
Directors' current accounts	-	854
Accruals and deferred income	244,879	117,748
	<u>628,259</u>	<u>442,922</u>



# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

10 Creditors' amounts falling due after more than one year	2006 £	2005 £
Other loans	50,000	50,000
Net obligations under hire purchase contracts	-	51,268
	<u>50,000</u>	<u>101,268</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
<b>Loan maturity analysis</b>		
In more than two years but not more than five years	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
<p>The loan is from the director and is unsecured and interest free</p>		
<b>Net obligations under hire purchase contracts</b>		
Repayable within one year	-	14,194
Repayable between one and five years	-	56,022
	-	70,216
Finance charges and interest allocated to future accounting periods	-	(11,182)
	-	59,034
Included in liabilities falling due within one year	-	(7,766)
	-	<u>51,268</u>

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 11 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 January 2006	7,600
Profit and loss account	(4,500)
	<hr/>
Balance at 31 December 2006	3,100
	<hr/> <hr/>

The deferred tax liability is made up as follows:

	2006 £	2005 £
Accelerated capital allowances	3,100	7,600
	<hr/> <hr/>	<hr/> <hr/>

### 12 Accruals and deferred income

	Deferred rent £
Balance at 1 January 2006	69,607
Deferred rent	-
Amortisation in the year	(25,312)
	<hr/>
Balance at 31 December 2006	44,295
	<hr/> <hr/>

### 13 Share capital

	2006 £	2005 £
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
	<hr/> <hr/>	<hr/> <hr/>
<b>Allotted, called up and fully paid</b>		
260,000 Ordinary shares of £1 each	260,000	260,000
	<hr/> <hr/>	<hr/> <hr/>

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2006	48,502
Profit for the year	5,337
	<hr/>
Balance at 31 December 2006	53,839
	<hr/> <hr/>

### 15 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	5,337	166,741
Proceeds from issue of shares	-	160,000
	<hr/>	<hr/>
Net addition to shareholders' funds	5,337	326,741
Opening shareholders' funds	308,502	(18,239)
	<hr/>	<hr/>
Closing shareholders' funds	313,839	308,502
	<hr/> <hr/>	<hr/> <hr/>

### 16 Financial commitments

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007

	Land and buildings	
	2006	2005
	£	£
Operating leases which expire Between two and five years	253,116	253,116
	<hr/>	<hr/>

### 17 Directors' emoluments

	2006 £	2005 £
Emoluments for qualifying services	85,000	83,334
	<hr/>	<hr/>

# XCONNECT TRADING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 18 Employees

#### Number of employees

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

	2006 Number	2005 Number
Management and operations	5	5
Trading and administration	8	10
	<u>13</u>	<u>15</u>

#### Employment costs

	2006 £	2005 £
Wages and salaries	748,043	818,044
Social security costs	84,549	111,145
	<u>832,592</u>	<u>929,189</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 £165,652 (2005 - £123,016) for rent and other services. All transactions were at arms length. At the year end the company was owed £115,842 by Xconnect Trading LLP (2005 -£95,776 was payable to Xconnect Derivatives LLP)