

XCONNECT TRADING LIMITED
Strategic Report, Directors' Report and
Financial Statements
for the Year Ended 31 March 2021



XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

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for the year ended 31 March 2021**

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XCONNECT TRADING LIMITED

**Company Information
for the year ended 31 March 2021**

Directors:

A N Chorley
P K White

Registered office:

6th Floor, Basildon House
7-11 Moorgate
London
EC2R 6AF

Registered number:

04240845 (England and Wales)

Auditors:

Haines Watts (City) LLP
Statutory Auditor
New Derwent House
69-73 Theobalds Road
London
WC1X 8TA

**Strategic Report
for the year ended 31 March 2021**

The directors present their strategic report for the year ended 31 March 2021.

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 of business

The principal activity of the company is to provide an execution service to professional clients on world wide derivative exchanges and secondary securities markets. The turnover of the company consists of amounts receivable for services provided. The company is authorised and regulated by the Financial Conduct Authority.

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.

Principal risks and uncertainties

Operational risk losses through a failure related to systems, processes or staff or those external relationships relied upon to operate the business are always conceivable. However, this risk is mitigated by such internal procedures/reconciliations and internal controls which are documented and also through the segregation of duties and authorisations.

The company's principal financial instruments comprise cash in liquid resources, 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.

The main risk arising from the company's financial instruments is 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 suitable capital balance.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning their credit rating and the regular monitoring of amounts outstanding.

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

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

**Strategic Report
for the year ended 31 March 2021**

Section 172(1) statement

The board of directors of Xconnect Trading Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1)(a-f) of the Act) in the decisions taken during the period ended 31 March 2021. In particular, by performance of the following:

- Our business aims are designed to have a long-term beneficial impact on the company and to contribute to its success.
- Our employees are fundamental to our business aims. We aim to be a responsible employer in our approach to the pay and benefits our employees receive.
- Our business requires strong relationships with suppliers, customers and others and we continually strive to maintain and improve these relationships.
- The impact of the company's operations on the community and environment are considered by the directors and reviewed regularly.
- As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance.
- As the Board of Directors, our intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the success of our company.

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 profit before tax for the period of £676,438 (2020: £664,010) and a decrease in shareholders' funds to £1,852,252 (2020: £2,353,647). The decrease in shareholders' fund is explained by profit after tax of £522,640 and dividend of £1,024,035.

Key performance indicators

Management use a range of performance measures to monitor and manage the business. As set out below the following financial key performance measures are considered by management to be the key performance indicators for the company:

	Year to 31/03/2021 £	Period to 31/03/2020 £
Turnover	16,514,810	11,827,824
Profit after tax	522,640	558,941

Future developments

The company continues to invest in its IT infrastructure and staff, this is achieved by directing the technology team to focus on improving the efficiency of the IT systems and ongoing training for its staff.

**Strategic Report
for the year ended 31 March 2021**

Post balance sheet events

Other than COVID-19 explained below, no events have occurred subsequent to the financial year end that may be deemed relevant to the accuracy of the financial statements.

The directors acknowledge the current outbreak of COVID-19 which is causing economic disruption in most countries and its potentially adverse economic impact on the company. This is an additional risk factor which could impact the operations of the company after year end.

The directors are actively monitoring developments closely. Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the company.

On behalf of the board:



.....

A N Chorley - Director

Date: 16 Jun 2021

**Directors' Report
for the year ended 31 March 2021**

The directors present their report with the financial statements of the company for the year ended 31 March 2021.

Dividends

The total distribution for the period ended 31 March 2021 will be £1,024,035.

Directors

The directors shown below have held office during the whole of the period from 1 April 2020 to the date of this report.

A N Chorley

P K White

Charitable donations and expenditure

Charitable donations during the year amounted to £500 (2020: £Nil). None of which were of a political nature.

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 2 and 3. These matters relate to financial instruments and future developments, which otherwise would be required to be shown in the directors' report.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 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.

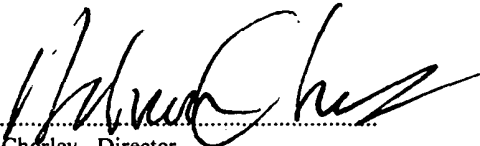
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

Directors' Report
for the year ended 31 March 2021

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board:


.....
A N Chorley - Director

Date: 16 May 2021
.....

**Independent Auditors' Report to the Members of
Xconnect Trading Limited**

Opinion

We have audited the financial statements of Xconnect Trading Limited (the 'company') for the year ended 31 March 2021 which comprise the Income Statement, Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

We draw your attention to note 2 within the accounting policies, describing the considerations the directors have made in determining their going concern assessment in light of the COVID-19 pandemic. Our opinion is not modified in this respect.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Directors' Report, but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independent Auditors' Report to the Members of
Xconnect Trading Limited**

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognised non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group, including the Companies Act 2006, taxation legislation, employment, data protection and capital requirements;
- we assessed the extent of compliance with the laws and regulations identified above through making enquires of management and inspecting legal correspondence;
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

**Independent Auditors' Report to the Members of
Xconnect Trading Limited**

We assessed the susceptibility of the Company's material misstatement, including obtaining an understanding of how fraud might occur by;

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assess whether judgement and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigate the rationale behind significant or unusual transactions.

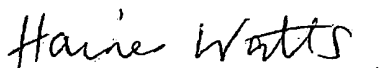
In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosure to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual potential litigation and claims; and
- reviewing correspondence.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

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.



Robert Blundell BSc FCA (Senior Statutory Auditor)
for and on behalf of Haines Watts (City) LLP
Statutory Auditor
New Derwent House
69-73 Theobalds Road
London
WC1X 8TA

Date: 22/7/21

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Income Statement
for the year ended 31 March 2021**

		Year ended 31/3/21 £	Period 1/1/19 to 31/3/20 £
	Notes		
Turnover		16,514,810	11,827,824
Cost of sales		(14,314,151)	(9,310,972)
Gross profit		2,200,659	2,516,852
Administrative expenses		(1,531,935)	(1,900,515)
Operating profit		668,724	616,337
Interest receivable and similar income		7,714	47,673
Profit before taxation	5	676,438	664,010
Tax on profit	7	(153,798)	(105,069)
Profit for the financial year		<u>522,640</u>	<u>558,941</u>

The notes form part of these financial statements

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Other Comprehensive Income
for the year ended 31 March 2021**

		Period 1/1/19 to 31/3/20 £
	Notes	
	Year ended 31/3/21 £	
Profit for the year	522,640	558,941
Other comprehensive income	-	-
Total comprehensive income for the year	<u>522,640</u>	<u>558,941</u>

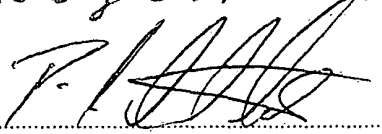
The notes form part of these financial statements

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Statement of Financial Position
31 March 2021**

	Notes	£	2021 £	£	2020 £
Fixed assets					
Tangible assets	9		63,324		129,829
Investments	10		392,013		369,520
			<u>455,337</u>		<u>499,349</u>
Current assets					
Debtors	11	1,229,899		3,647,874	
Cash at bank		1,577,841		1,566,027	
		<u>2,807,740</u>		<u>5,213,901</u>	
Creditors					
Amounts falling due within one year	12	1,407,067		3,345,074	
		<u>1,407,067</u>		<u>3,345,074</u>	
Net current assets			<u>1,400,673</u>		<u>1,868,827</u>
Total assets less current liabilities			<u>1,856,010</u>		<u>2,368,176</u>
Provisions for liabilities	15		<u>3,758</u>		<u>14,529</u>
Net assets			<u><u>1,852,252</u></u>		<u><u>2,353,647</u></u>
Capital and reserves					
Called up share capital	16		720,000		720,000
Retained earnings	17		1,132,252		1,633,647
			<u>1,852,252</u>		<u>2,353,647</u>
Shareholders' funds			<u><u>1,852,252</u></u>		<u><u>2,353,647</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 16 July 2021 and were signed on its behalf by:


P K White - Director

The notes form part of these financial statements

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Statement of Changes in Equity
for the year ended 31 March 2021**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	360,000	1,632,206	1,992,206
Changes in equity			
Increase in share capital	360,000	(360,000)	-
Dividends	-	(197,500)	(197,500)
Total comprehensive income	-	558,941	558,941
Balance at 31 March 2020	<u>720,000</u>	<u>1,633,647</u>	<u>2,353,647</u>
Changes in equity			
Dividends	-	(1,024,035)	(1,024,035)
Total comprehensive income	-	522,640	522,640
Balance at 31 March 2021	<u>720,000</u>	<u>1,132,252</u>	<u>1,852,252</u>

The notes form part of these financial statements

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Statement of Cash Flows
for the year ended 31 March 2021**

		Year ended 31/3/21 £	Period 1/1/19 to 31/3/20 £
	Notes		
Cash flows from operating activities			
Cash generated from operations	1	168,331	1,090,684
Tax paid		(127,464)	(118,808)
Net cash from operating activities		40,867	971,876
Cash flows from investing activities			
Purchase of tangible fixed assets		(693)	(20,412)
Purchase of fixed asset investments		-	(369,521)
Sale of tangible fixed assets		-	34,908
Interest received		7,714	47,673
Net cash from investing activities		7,021	(307,352)
Cash flows from financing activities			
Amount introduced by directors		1,024,075	232,659
Amount withdrawn by directors		(36,114)	(1,059,113)
Equity dividends paid		(1,024,035)	(197,500)
Net cash from financing activities		(36,074)	(1,023,954)
Increase/(decrease) in cash and cash equivalents		11,814	(359,430)
Cash and cash equivalents at beginning of year	2	1,566,027	1,925,457
Cash and cash equivalents at end of year	2	1,577,841	1,566,027

The notes form part of these financial statements

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Notes to the Statement of Cash Flows
for the year ended 31 March 2021**

1. Reconciliation of profit before taxation to cash generated from operations

	Year ended	Period
	31/3/21	1/1/19
	£	to
		31/3/20
		£
Profit before taxation	676,438	664,010
Depreciation charges	67,198	82,727
Gain on revaluation of fixed assets	(16,148)	-
Foreign exchange movement on loans	(6,345)	-
Finance income	(7,714)	(47,673)
	<u>713,429</u>	<u>699,064</u>
Decrease/(increase) in trade and other debtors	1,425,785	(301,501)
(Decrease)/increase in trade and other creditors	(1,970,883)	693,121
	<u>168,331</u>	<u>1,090,684</u>
Cash generated from operations	<u><u>168,331</u></u>	<u><u>1,090,684</u></u>

2. Cash and cash equivalents

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2021

	31/3/21	1/4/20
	£	£
Cash and cash equivalents	<u>1,577,841</u>	<u>1,566,027</u>

Period ended 31 March 2020

	31/3/20	1/1/19
	£	£
Cash and cash equivalents	<u>1,566,027</u>	<u>1,925,457</u>

3. Analysis of changes in net funds

	At 1/4/20	Cash flow	At 31/3/21
	£	£	£
Net cash			
Cash at bank	<u>1,566,027</u>	<u>11,814</u>	<u>1,577,841</u>
	<u>1,566,027</u>	<u>11,814</u>	<u>1,577,841</u>
Total	<u><u>1,566,027</u></u>	<u><u>11,814</u></u>	<u><u>1,577,841</u></u>

The notes form part of these financial statements

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Notes to the Financial Statements
for the year ended 31 March 2021**

1. Statutory information

Xconnect Trading Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

Basis of preparation of financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Sterling (£).

Significant judgements and estimates

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that year, or in the period of the revision and future periods, if the revision affects both current and future years.

Critical judgements in applying the company's accounting policies

The critical judgement that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below:

(i) Assessing indicators and impairment

In assessing whether there have been any indicators or impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience or recoverability. There have been no indicators or impairments identified during the current financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(ii) Recoverability of receivables

The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience and recoverability, and the credit profile of individual or groups of customers.

(iii) Investments

The most critical estimates, assumptions and judgements relate to the determination of the carrying value of investments at fair value through the profit and loss. In determining this amount, the company applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

Notes to the Financial Statements - continued
for the year ended 31 March 2021

2. Accounting policies - continued

Unquoted investments are valued using the price of recent transactions.

Turnover

Turnover of the company consists of amounts receivable from professional clients for execution services in financial instruments. Turnover is recognised in line with accrual accounting basis on fees receivable for services provided in the financial year.

Tangible fixed assets

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 cost
Motor vehicle	-33% on a reducing balance basis

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Notes to the Financial Statements - continued
for the year ended 31 March 2021

2. Accounting policies - continued

The company as a lessee

Lease arrangements are classified as a finance lease where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease arrangements are classified as an operating lease.

The company as a lessee

Assets held under finance lease arrangements are recognised as assets within property plant and equipment at their fair value, or if lower at the present value of the minimum lease payments, each determined at the inception of the lease. The assets are subsequently depreciated over the shorter of the lease terms and their useful life. The corresponding finance lease liability is recognised as a finance obligation, with lease payments being apportioned between finance charges and a reduction to the lease obligation so as to achieve a constant rate of interest on the remaining amount of the liability. Finance charges are recognised within profit or loss.

Payments made under operating lease arrangements are charged to the income statement on a straight line basis over the lease term. Benefits receivable as operating lease incentives are recognised within the income statement on a straight line basis over the lease term.

Pension costs and other post-retirement benefits

The company operates a defined contribution scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period in which they relate.

Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted when the time value of money is material.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Financial instruments

Financial assets and liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. The company holds basic financial instruments which comprise cash at bank, trade and other receivables, and trade and other payables. The company has chosen to apply the provisions of Section 11 Basic Financial Instruments in full.

Financial assets - classified as basic financial instruments

(i) Cash at bank and in hand

Cash at bank and in hand include cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(ii) Trade and other receivables

Trade and other receivables are initially recognised at the transaction price, including any transaction costs. Amounts that are receivable within one year are measured at the undiscounted amount of the cash expected to be received, net of any impairment.

**Notes to the Financial Statements - continued
for the year ended 31 March 2021**

2. Accounting policies - continued

At the end of each reporting period, the company assesses whether there is objective evidence that an receivable amount may be impaired. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in profit or loss.

(iii) Fixed Asset Investments

Upon initial recognition, investments including loan stock are included at their initial fair value, which is cost. Subsequently investments are valued at 'fair value' which are measured as follows:

Investments listed on recognised exchanges are valued at their bid prices at the end of the accounting period or otherwise at fair value based on published price quotations.

Unquoted investments are value using the fair value measurement in FRS 102 using the hierarchy model outlined below:

- a) Active market price e.g. bid price
- b) Price of recent transaction for an identical asset in an arm's length transaction.
- c) Estimate of fair value using another valuation technique in an arm's length exchange
- d) Cost less impairment

Gains and losses on remeasurement are recognised in the profit or loss.

Financial Liabilities - classified as basic financial instruments

(i) Trade and other payables and loans and borrowings

Trade and other payables and loans and borrowings are initially measured at the transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the discounted amount of the cash expected to be paid.

Going concern

These financial statements have been prepared on a going concern basis.

The current economic conditions, together with the COVID-19 pandemic discussed in the Strategic Report, present increased risks for all businesses. In response to such conditions, the directors have carefully considered these risks including an assessment on uncertainty on future trading projection for a period of at least 12 months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

Based on assessment, the directors consider that the company maintains an appropriate level of liquidity, sufficient to meet the demands of the business including any capital and servicing obligations and external debt liabilities.

In addition, the company's assets are assessed for recoverability on a regular basis, and the directors consider that the company is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubts upon the company's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Notes to the Financial Statements - continued
for the year ended 31 March 2021**

3. Employees and directors

	Year ended 31/3/21	Period 1/1/19 to 31/3/20
	£	£
Wages and salaries	700,458	762,813
Social security costs	82,263	92,904
Other pension costs	8,870	88,640
	<u>791,591</u>	<u>944,357</u>

The average number of employees during the year was as follows:

	Year ended 31/3/21	Period 1/1/19 to 31/3/20
Management and operations	4	4
Administration	10	9
	<u>14</u>	<u>13</u>

4. Directors' emoluments

	2021	2020
	£	£
Directors' remuneration	164,433	60,000

5. Profit before taxation

The profit is stated after charging/(crediting):

	Year ended 31/3/21	Period 1/1/19 to 31/3/20
	£	£
Other operating leases	179,814	246,496
Depreciation - owned assets	67,198	82,726
Foreign exchange differences	(41,775)	(7,328)

6. Auditors' remuneration

	Year ended 31/3/21	Period 1/1/19 to 31/3/20
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	8,300	8,000
Taxation compliance services	2,600	2,500

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Notes to the Financial Statements - continued
for the year ended 31 March 2021**

7. Taxation

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	Year ended 31/3/21 £	Period 1/1/19 to 31/3/20 £
Current tax:		
UK corporation tax	164,569	126,162
Deferred tax	(10,771)	(21,093)
Tax on profit	<u>153,798</u>	<u>105,069</u>

UK corporation tax was charged at 19% in 2020.

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Year ended 31/3/21 £	Period 1/1/19 to 31/3/20 £
Profit before tax	<u>676,438</u>	<u>664,010</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	128,523	126,162
Effects of:		
Expenses not deductible for tax purposes	3,506	5,572
Depreciation in excess of capital allowances	12,038	10,195
Other	(11,400)	(15,767)
Deferred tax	(10,771)	(21,093)
Under provision of prior period charge to corporation tax	<u>31,902</u>	<u>-</u>
Total tax charge	<u>153,798</u>	<u>105,069</u>

8. Dividends

	Year ended 31/3/21 £	Period 1/1/19 to 31/3/20 £
Ordinary shares shares of 1 each		
Interim	<u>1,024,035</u>	<u>197,500</u>

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Notes to the Financial Statements - continued
for the year ended 31 March 2021**

9. Tangible fixed assets

	Short leasehold £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
Cost					
At 1 April 2020	8,580	57,806	136,389	22,000	224,775
Additions	356	335	2	-	693
At 31 March 2021	<u>8,936</u>	<u>58,141</u>	<u>136,391</u>	<u>22,000</u>	<u>225,468</u>
Depreciation					
At 1 April 2020	3,570	20,457	54,617	16,302	94,946
Charge for year	3,212	16,370	44,352	3,264	67,198
At 31 March 2021	<u>6,782</u>	<u>36,827</u>	<u>98,969</u>	<u>19,566</u>	<u>162,144</u>
Net book value					
At 31 March 2021	<u>2,154</u>	<u>21,314</u>	<u>37,422</u>	<u>2,434</u>	<u>63,324</u>
At 31 March 2020	<u>5,010</u>	<u>37,349</u>	<u>81,772</u>	<u>5,698</u>	<u>129,829</u>

10. Fixed asset investments

	2021 £	2020 £
Other investments not loans	305,413	289,265
Other loans	86,600	80,255
	<u>392,013</u>	<u>369,520</u>

Additional information is as follows:

	Listed investments £	Unlisted investments £	Totals £
Cost			
At 1 April 2020	128,551	160,714	289,265
Exchange differences	16,148	-	16,148
At 31 March 2021	<u>144,699</u>	<u>160,714</u>	<u>305,413</u>
Net book value			
At 31 March 2021	<u>144,699</u>	<u>160,714</u>	<u>305,413</u>
At 31 March 2020	<u>128,551</u>	<u>160,714</u>	<u>289,265</u>
			Other loans £
At 1 April 2020			80,255
Other movement			6,345
At 31 March 2021			<u>86,600</u>

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Notes to the Financial Statements - continued
for the year ended 31 March 2021**

11. Debtors: amounts falling due within one year

	2021	2020
	£	£
Trade debtors	5,486	-
Other debtors	1,059,426	2,495,727
Directors' current accounts	35,993	1,023,954
VAT	4,569	-
Prepayments and accrued income	124,425	128,193
	<u>1,229,899</u>	<u>3,647,874</u>

12. Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	18,506	24,541
Tax	165,574	128,469
Social security and other taxes	20,642	23,741
VAT	-	4,229
Other creditors	2,273	-
Accruals and other creditors	1,200,072	3,164,094
	<u>1,407,067</u>	<u>3,345,074</u>

13. Leasing agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2021	2020
	£	£
Within one year	134,397	230,394
Between one and five years	691,182	575,985
	<u>825,579</u>	<u>806,379</u>

At 31 March 2021 the company was committed to making the above payments under non cancellable operating leases.

XCONNECT TRADING LIMITED (REGISTERED NUMBER: 04240845)

**Notes to the Financial Statements - continued
for the year ended 31 March 2021**

14. Financial instruments

The company's financial instruments may be analysed as follows:

	Year to 31/3/21 £	Period to 31/03/20 £
Financial assets		
Financial assets measured at cost less impairment and fair value through profit or loss	305,413	289,265
Financial assets that are debt instruments measured at amortised cost	<u>2,765,346</u>	<u>5,165,193</u>

Financial liabilities

Financial liabilities measured at amortised cost	<u>1,220,851</u>	<u>3,118,481</u>
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Financial assets measured at cost less impairment and fair value through profit or loss comprise listed investments and unlisted investments.

Financial assets measured at amortised cost comprise cash, other debtors, trade debtors, other loans and directors' current accounts.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

Information regarding the company's exposure to risks are included in the strategic report.

15. Provisions for liabilities

	2021 £	2020 £
Deferred tax		
Accelerated capital allowances	<u>3,758</u>	<u>14,529</u>
		Deferred tax £
Balance at 1 April 2020		14,529
Accelerated capital allowances		<u>(10,771)</u>
Balance at 31 March 2021		<u>3,758</u>

16. Called up share capital

Allotted and issued:			2021 £	2020 £
Number:	Class:	Nominal value:		
720,000	Share capital 1	1	<u>720,000</u>	<u>720,000</u>

Notes to the Financial Statements - continued
for the year ended 31 March 2021

17. Reserves

	Retained earnings £
At 1 April 2020	1,633,647
Profit for the year	522,640
Dividends	(1,024,035)
	<u>1,132,252</u>
At 31 March 2021	<u>1,132,252</u>

18. Directors' advances, credits and guarantees

The following advances and credits to a director subsisted during the year ended 31 March 2021 and the period ended 31 March 2020:

	2021 £	2020 £
P K White		
Balance outstanding at start of year	1,023,994	197,500
Amounts advanced	36,074	1,059,153
Amounts repaid	(1,024,075)	(232,659)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>35,993</u>	<u>1,023,994</u>

19. Related party disclosures

During the period, the company received income from a connected partnership of £460,383 (2020: £828,824) in respect of agreed desk and directly related market access costs and £145,092 (2020: £169,533) in commissions in accordance with agreed rates. The company also rebated £214,000 (2020: £164,500) to the same partnership. The period-end balance was a debtor balance of £440,130 (2020: £1,398,375).

The amount owed by a director at the period end is £35,993 (2020: £1,023,994).

20. Ultimate controlling party

The ultimate controlling party is P K White.

XCONNECT TRADING LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

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 MARCH 2021

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.

Under UK legislation, 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

This Pillar 3 disclosure document has been prepared by Xconnect Trading Limited (the "Firm") in accordance with the requirements of *BIPRU 11*, pursuant to the third paragraph of article 95(2) of the EU CRR and has been verified by Senior Management. All figures are as at the end of the financial period.

The Firm may omit one or more of the disclosures listed in *BIPRU 11.5* if the information provided by such disclosures is not, in the light of the criterion specified in *BIPRU 11.4.1 R*, regarded as material. The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

The Firm may also omit one or more items of information included in the disclosures listed in *BIPRU 11.5* and *BIPRU 11.6* if those items include information which, in the light of the criteria specified in *BIPRU 11.4.2 R* and *BIPRU 11.4.3 R*, is regarded as proprietary or confidential. The Firm regards information as proprietary information if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable.

No such 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 BIPRU €50K Limited Licence Firm by the FCA for capital purposes and it has no trading book exposures nor does it hold client money.

Risk management objectives and policies

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

XCONNECT TRADING LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

The Firm uses its Internal Capital Adequacy Assessment Process (ICAAP) to formally review risks each year but also assesses risks on an ad hoc basis as they potentially arise throughout the course of business. Senior Management has identified that business, credit and execution risk are the main material exposures. Senior Management annually reviews the Firm's risks, controls and risk mitigation 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. The Firm has in place appropriate monitoring procedures to ensure effective oversight of potential risks to the business. 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 or a client reneging on an order. The systems and controls in place mean this risk is unlikely to materialise and such errors are historically rare.

Capital Resources

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

	31 March 2021
Pillar 1 capital requirement	£372,000
Pillar 2 capital requirement	£486,000
Total capital requirement	£858,000
Tier 1 Capital	£1,852,000
Surplus of funds	£994,000

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 market risk on non-trading book investments (prior to mitigation), and credit risk from fees receivable, loans and deposits.

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 BIPRU €50K limited licence firm and as such its Pillar 1 capital requirement is the higher of:

(i)	€50,000;
(ii)	the sum of the market & credit risk requirements; or,
(iii)	its FOR.

XCONNECT TRADING LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

The FOR is usually 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.

Credit risk

The Firm is exposed to credit risk in respect of loans and cash balances held by it at its bankers and general clearer. The firm is also exposed to the risk of counterparties failing to meet their contractual obligations, either as a result of business failure or withholding of amounts due. The Firm has monthly contractual clearing arrangements with ABN AMRO Bank N.V. and Societe Generale S.A. to mitigate counterparty credit exposures. The risk of credit exposures to counterparty risk in the same economic or geographical sector and the risk to counterparties whose financial performance is dependent on the same activity or commodity is considered to be low, as this is monitored by the Senior Management collectively and in each of their business areas.

Exposures to interest Rate Risk in the Non-Trading Book

The Firm does generate income from its cash deposits, but the amounts generated are insignificant relative to the income generated from fees and to the level of the expense base. It is envisaged that a 200 point change in current interest rates (whether positive or negative) would have no adverse impact on the Firm's business or liquidity risks.

Securitisation

The Firm has not securitised and does not intend to securitise any of its assets whether on or off its balance sheet. Securitisation risk is therefore not considered a material risk.

Remuneration Code Disclosure

The Firm is authorised and regulated by the FCA and classified as a Capital Requirements Directive (CRD) Investment Firm, therefore subject to the rules on remuneration. These are contained in the FCA BIPRU Remuneration Code ("the RemCode"), under SYSC 19C in the FCA Handbook. The aim of the RemCode is to ensure greater alignment between risk and individual reward, discourage excessive risk taking and to encourage better risk management. The Firm is aligned in this approach in building an appropriate conduct culture through appropriate levels of remuneration, reflected in our Policy. The Firm incentivises staff through a combination of both fixed and variable incomes, as per the guidance outlined in the RemCode.

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 policies, practices and procedures in the business.

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;

XCONNECT TRADING LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

- (c) operational processes;
 - (d) other non-financial criteria; and,
 - (e) other factors such as client outcome, 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 over the firms business cycle 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.