

REGISTERED NUMBER: 07280005 (England and Wales)

**Strategic Report, Report of the Directors and**  
**Financial Statements for the Year Ended 31 December 2015**  
**for**  
**Delta Financial Markets Ltd**

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**for the Year Ended 31 December 2015**

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**Delta Financial Markets Ltd**

**Company Information**  
**for the Year Ended 31 December 2015**

**DIRECTORS:**

V A Kisyov  
N Nedkov

**REGISTERED OFFICE:**

3rd Floor Fairgate House  
78 New Oxford Street  
London  
WC1A 1HB

**REGISTERED NUMBER:**

07280005 (England and Wales)

**AUDITORS:**

S H Landes LLP  
Statutory Auditors  
3rd Floor, Fairgate House  
78 New Oxford Street  
London  
WC1A 1HB

**Strategic Report**  
**for the Year Ended 31 December 2015**

The directors present their strategic report for the year ended 31 December 2015.

**REVIEW OF BUSINESS**

DF Markets Ltd issues the following trading update relating to the 12 months ended 31 December 2015.

The year of 2015 is seen as the second very successful year in a row for the company since November 2011 when it commenced its business with clients.

In the overviewed period DF Markets continued investing considerable resources in innovation and platform development. A number of new upgrades to the company's flagship Spread Betting and CFD trading platforms - DFTrader (SB), DF WebTrader (SB) and DF Mobile (SB) - were released in the course of the year. It is the adopted approach to innovation and continuous product improvement that underlies the ability of the company to better position itself to meet client expectations as well as to enhance their experience with DF Markets' services.

In 2015 the company continued to focus its efforts on expanding its market presence in the UK for its financial spread betting services and in the EU area for its CFD business. Relevant to the online nature of the services which are being provided on an execution-only basis, digital marketing campaigns kept on playing a key role in the implementation of DF Markets' strategy to drive growth in the number of new customers as well as to build its brand awareness and brand visibility in the marketplace. Marketing budget spending was allocated among Search Engine Optimisation (SEO), Google adwords and display network advertising, television, outdoor and print media advertising campaigns.

Directors are glad to confirm that the company has experienced a considerable number of new accounts opened during the period. That was attributed to by a number of factors such as, among others, the implementation of marketing initiatives, the extensive range of asset classes and competitive trading conditions alongside the innovative and user-friendly trading platforms that are being offered. Furthermore, the growth was supported by the high-quality customer service and the effective relationships with introducing partners.

For the period, the firm's underlying performance featured a substantial growth in all aspects of its business, such as number of clients, net inflow of client funds, traded volumes and revenue.

The firm continues to explore opportunities for geographic expansion in key markets, as well as to further improve its trading platforms and product range. The focus on technology and high-quality customer service are recognised as key factors in the firm's strategic approach which, together with DF Markets' growing international presence, will continue to drive client recruitment.

**Strategic Report**  
**for the Year Ended 31 December 2015**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The company's activities expose it to financial risks including market risk, credit risk, cash flow risk, liquidity risk and currency risk.

**Market risk**

Market risk is the risk of potential loss due to change in market prices. The company takes positions and these give rise to market risk in the event of price movement. Such risks are monitored and controlled by the setting of limits and the use of hedging where appropriate.

**Credit risk**

Credit risk is derived from the potential inability of customers to settle amounts owing to the company when due. The company regularly reviews its credit risk and will take appropriate action should excessive risk be determined. The company does not currently offer credit terms to any of its customers.

**Liquidity risk**

Liquidity risk is the risk that the company will be unable to meet its cash flow obligations as they become due because of an inability to obtain funding. It is the company's policy to ensure that it will always have sufficient liquidity to meet its commitments.

The company is reliant on its ultimate parent company to provide financing in the event of a liquidity shortfall.

**Currency risk**

The Company is exposed to currency risk in respect of balances in currencies other than sterling. If deemed appropriate the Company will hedge exposure to minimise the risks.

**Operational risk**

The company has in place procedures to minimise the risk of financial loss due to errors, systems failures or failures in internal controls.

**Regulation risk**

The company is authorised and regulated by the Financial Conduct Authority (FCA). The company dedicates adequate resources to meet its regulatory commitments and continually works to improve its internal procedures to meet the challenges set by the changing regulatory environment.

**GOING CONCERN**

After making enquiries, the directors have a reasonable expectation that the company will continue to receive financial support from the parent company to enable it to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**Strategic Report**  
**for the Year Ended 31 December 2015**

**REMUNERATION POLICY**

**Overview**

Given the size and nature of the company, the directors consider that it does not need to maintain a separate remuneration committee. This decision will be reviewed by in the event of any material changes in the business.

Remuneration of all directors and employees is directly overseen by the CEO in conjunction with the board of directors.

**General Requirements**

The company is required to implement and maintain a remuneration policy, procedures and practices for all directors and employees that are consistent with and promote sound effective risk management and are in accordance with the FCA's code of practice.

The policy is intended to cover all aspects of remuneration and is subject to the company's general organisation requirements under the FCA's Senior Management Arrangements, systems and controls ("SYSC"). The company is a full scope IFPRU €730K investment firm. The Company seeks to avoid creating any incentive for individuals to take inappropriate risk.

The remuneration policy is in line with the business strategy, objectives, values and long term interest of the firm, and incorporates measures to avoid conflicts of interest.

The company's business strategy is to provide clients an electronic trading platform in order to trade CFD's and spread bets in Forex and other financial products.

The company will seek to attract appropriate talent by offering some flexibility and retain confidentiality in respect of some of the terms it introduces. However, these terms will be appropriate and respect the principles of this policy.

**Conflicts of Interest**

The company regularly reviews potential conflicts and where appropriate updates its conflict of interest policy.

The remuneration structure discourages directors and staff from acting unfairly towards clients.

The company ensures fair treatment of clients by ensuring that its client take-on policy complies with the Financial Services and Markets Act 2000.

The company has an anti-bribery policy which prohibits the offering, the giving, the solicitation or acceptance of any bribe whether cash or inducement.

**Governance**

This policy will be reviewed by the board of directors on an annual basis.

**Private Medical Insurance**

The company does not have a Medical Insurance Scheme.

**Remuneration Structures**

Directors and Staff receive an annual salary paid monthly on or around the last day of each month.

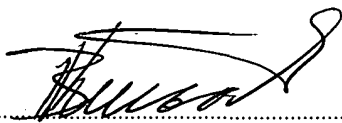
**Discretionary Bonuses**

The company runs a discretionary bonus scheme that is based on individual performance as well as company's profitability. The bonus does not form part of the employees contractual remuneration.

**ON BEHALF OF THE BOARD:**

Delta Financial Markets Ltd (Registered number: 07280005)

Strategic Report  
for the Year Ended 31 December 2015



.....  
V A Kisyov - Director

Date: 25/04/2016

**Report of the Directors**  
**for the Year Ended 31 December 2015**

The directors present their report with the financial statements of the company for the year ended 31 December 2015.

Delta Financial Markets Limited is a company incorporated and domiciled in England and has its registered office at 3rd Floor, Fairgate House, 78 New Oxford Street, WC1A 1HB. Its principal place of business is 5 Harbour Exchange Square, London, E14 9GE.

**PRINCIPAL ACTIVITY**

The company's principal activity is that of market making and brokerage services in rolling spot foreign exchange contracts, financial contracts for differences and spread betting on individual shares, stock indices, commodity and financial futures - all being offered as OTC products.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2015.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

V A Kisiov  
N Nedkov

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors 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 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.



**Report of the Directors**  
**for the Year Ended 31 December 2015**

**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:**



V A Kisyov - Director

Date: 25/04/2016

**Report of the Independent Auditors to the Members of  
Delta Financial Markets Ltd**

We have audited the financial statements of Delta Financial Markets Ltd for the year ended 31 December 2015 on pages nine to twenty six. 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page six, 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 Strategic Report and the Report of the Directors 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 2015 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 the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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.

Steven Landes (Senior Statutory Auditor)  
for and on behalf of S H Landes LLP  
Statutory Auditors  
3rd Floor, Fairgate House  
78 New Oxford Street  
London  
WC1A 1HB

Date: 26/11/16

Steven Landes

**Delta Financial Markets Ltd (Registered number: 07280005)**

**Income Statement**  
**for the Year Ended 31 December 2015**

|  | Notes | 31.12.15<br>£ | 31.12.14<br>£ |
|--|-------|---------------|---------------|
| <b>TURNOVER</b>  |       | 3,357,441     | 2,017,159     |
| Cost of sales  |       | 1,617,252     | 1,261,105     |
| <b>GROSS PROFIT</b>                                      |       | 1,740,189     | 756,054       |
| Administrative expenses                                  |       | 1,590,575     | 569,190       |
| <b>OPERATING PROFIT</b>                                  | 3     | 149,614       | 186,864       |
| Interest receivable and similar income                   |       | 38            | 110           |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |       | 149,652       | 186,974       |
| Tax on profit on ordinary activities                     | 4     | 15,008        | 22            |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                     |       | 134,644       | 186,952       |

The notes form part of these financial statements

**Delta Financial Markets Ltd (Registered number: 07280005)**

**Other Comprehensive Income**  
**for the Year Ended 31 December 2015**

|  | Notes | 31.12.15<br>£  | 31.12.14<br>£  |
|--|-------|----------------|----------------|
| PROFIT FOR THE YEAR                        |       | 134,644        | 186,952        |
| OTHER COMPREHENSIVE INCOME                 |       | -              | -              |
| TOTAL COMPREHENSIVE INCOME<br>FOR THE YEAR |       | <u>134,644</u> | <u>186,952</u> |

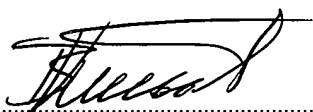
The notes form part of these financial statements

**Delta Financial Markets Ltd (Registered number: 07280005)**

**Balance Sheet**  
**31 December 2015**

|  | Notes | 31.12.15<br>£           | 31.12.14<br>£           |
|--|-------|-------------------------|-------------------------|
| <b>FIXED ASSETS</b>                          |       |                         |                         |
| Tangible assets                              | 5     | 3,896                   | 2,419                   |
| <b>CURRENT ASSETS</b>                        |       |                         |                         |
| Debtors                                      | 6     | 267,509                 | 509,443                 |
| Cash at bank                                 |       | 1,679,173               | 860,759                 |
|  |       | <u>1,946,682</u>        | <u>1,370,202</u>        |
| <b>CREDITORS</b>                             |       |                         |                         |
| Amounts falling due within one year          | 7     | <u>488,951</u>          | <u>45,638</u>           |
| <b>NET CURRENT ASSETS</b>                    |       | <u>1,457,731</u>        | <u>1,324,564</u>        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <u><u>1,461,627</u></u> | <u><u>1,326,983</u></u> |
| <b>CAPITAL AND RESERVES</b>                  |       |                         |                         |
| Called up share capital                      | 9     | 1,400,000               | 1,400,000               |
| Retained earnings                            | 10    | 61,627                  | (73,017)                |
| <b>SHAREHOLDERS' FUNDS</b>                   |       | <u><u>1,461,627</u></u> | <u><u>1,326,983</u></u> |

The financial statements were approved by the Board of Directors on 25/04/2016 and were signed on its behalf by:



V A Kisiov - Director

**Delta Financial Markets Ltd (Registered number: 07280005)**

**Statement of Changes in Equity**  
**for the Year Ended 31 December 2015**

|                                    | Called up<br>share<br>capital<br>£ | Retained<br>earnings<br>£ | Total<br>equity<br>£ |
|------------------------------------|------------------------------------|---------------------------|----------------------|
| <b>Balance at 1 January 2014</b>   | 1,200,000                          | (259,969)                 | 940,031              |
| <b>Changes in equity</b>           |                                    |                           |                      |
| Issue of share capital             | 200,000                            | -                         | 200,000              |
| Total comprehensive income         | -                                  | 186,952                   | 186,952              |
| <b>Balance at 31 December 2014</b> | <u>1,400,000</u>                   | <u>(73,017)</u>           | <u>1,326,983</u>     |
| <b>Changes in equity</b>           |                                    |                           |                      |
| Total comprehensive income         | -                                  | 134,644                   | 134,644              |
| <b>Balance at 31 December 2015</b> | <u>1,400,000</u>                   | <u>61,627</u>             | <u>1,461,627</u>     |

The notes form part of these financial statements

**Delta Financial Markets Ltd (Registered number: 07280005)**

**Cash Flow Statement**  
**for the Year Ended 31 December 2015**

|   | Notes | 31.12.15<br>£           | 31.12.14<br>£         |
|---|-------|-------------------------|-----------------------|
| <b>Cash flows from operating activities</b>           |       |                         |                       |
| Cash generated from operations                        | 1     | 820,724                 | (144,074)             |
| Tax paid  |       | -                       | (100)                 |
| Net cash from operating activities                    |       | <u>820,724</u>          | <u>(144,174)</u>      |
| <b>Cash flows from investing activities</b>           |       |                         |                       |
| Purchase of tangible fixed assets                     |       | (2,348)                 | (1,775)               |
| Interest received                                     |       | 38                      | 110                   |
| Net cash from investing activities                    |       | <u>(2,310)</u>          | <u>(1,665)</u>        |
| <b>Cash flows from financing activities</b>           |       |                         |                       |
| Share issue   |       | -                       | 200,000               |
| Net cash from financing activities                    |       | <u>-</u>                | <u>200,000</u>        |
| <b>Increase in cash and cash equivalents</b>          |       | <u>818,414</u>          | <u>54,161</u>         |
| <b>Cash and cash equivalents at beginning of year</b> | 2     | 860,759                 | 806,598               |
| <b>Cash and cash equivalents at end of year</b>       | 2     | <u><u>1,679,173</u></u> | <u><u>860,759</u></u> |

The notes form part of these financial statements

**Notes to the Cash Flow Statement**  
**for the Year Ended 31 December 2015**

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

|  | 31.12.15              | 31.12.14                |
|--|-----------------------|-------------------------|
|  | £                     | £                       |
| Profit before taxation                           | 149,652               | 186,974                 |
| Depreciation charges                             | 871                   | 639                     |
| Finance income                                   | (38)                  | (110)                   |
|  | <u>150,485</u>        | <u>187,503</u>          |
| Decrease/(increase) in trade and other debtors   | 241,934               | (288,519)               |
| Increase/(decrease) in trade and other creditors | <u>428,305</u>        | <u>(43,058)</u>         |
| <b>Cash generated from operations</b>            | <u><u>820,724</u></u> | <u><u>(144,074)</u></u> |

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2015**

|                           | 31.12.15                | 1.1.15                |
|---------------------------|-------------------------|-----------------------|
|                           | £                       | £                     |
| Cash and cash equivalents | <u><u>1,679,173</u></u> | <u><u>860,759</u></u> |

**Year ended 31 December 2014**

|                           | 31.12.14              | 1.1.14                |
|---------------------------|-----------------------|-----------------------|
|                           | £                     | £                     |
| Cash and cash equivalents | <u><u>860,759</u></u> | <u><u>806,598</u></u> |



**Notes to the Financial Statements**  
**for the Year Ended 31 December 2015**

**1. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention as modified for certain financial instruments measured at fair value in accordance with the accounting policies set out below.

These financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

This is the first year that the company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was 1 January 2014. The transition has not resulted in any changes in accounting policies to those previously used. For transition explanation please refer to the page numbers 27 to 29.

After reviewing the forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

**Significant judgements and estimates**

Preparation of the financial statements requires management to make significant judgements and estimates. The Company does not have any estimates which could have significant effect on the financial statements.

**Turnover**

Turnover represents gains and losses on foreign currency, CFD (Contracts for Difference), precious metals and spread betting trading on a trade date basis and any commissions earned on individual trades. Gains and losses are recognised on closed positions as they occur and on open positions using a mark-to-market valuation. Commission or any fees paid to brokers or referring parties relating to the trades is recorded within cost of sales. Costs relating to promotional incentives from credit campaigns which are eligible for conversion into a client balance are offset against trading revenue.

Provisions are made against client loss when amounts are not deemed recoverable.

**Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Cost include the purchase cost and all other costs necessary to bring it in present location and conditions.

Depreciation is provided at the following annual rates in order to write off each asset over its useful life.

Plant & Machinery                      - 25% on NBV

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2015**

**1. ACCOUNTING POLICIES - continued**

**Deferred tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible timing differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

**Foreign currencies**

The financial statements are presented in Sterling, which is also the functional currency of the Company. Transactions in currencies, other than the functional currency of the Company, are recorded at the rate of exchange on the date the transaction occurred. Monetary items denominated in other currencies are translated at the rate prevailing at the end of the reporting period. Exchange differences are recognised in profit or loss in the period in which they arise. Non-monetary items that are measured at historic cost in a foreign currency are not retranslated.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Trade and other debtors**

Trade and other debtors comprise amounts due from clients, brokers and the parent undertaking arising from trading activities and open positions. All debtors except for trading positions are categorised as loans and receivables and initially measured at cost and are subsequently measured at amortised cost using the effective interest rate method where the effect of discounting would be immaterial. In such cases, the debtors are stated at cost less impairment losses for bad and doubtful debts. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Trading positions are stated at the market bid or offer price and are classified as at Fair Value Through Profit and Loss (FVTPL). A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2015**

**1. ACCOUNTING POLICIES - continued**

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and at bank, market deposits and other short-term bank deposits with an original maturity of three months or less and therefore are subject to an insignificant risk of changes in value.

Client monies are segregated from the Company's own monies and are excluded from Cash at bank and in hand.

**Trade and other creditors**

Trade and other creditors comprise amounts due to clients and brokers from trading activities and open positions. Trading positions are stated at the market bid or offer price and are classified at FVTPL. Trade and other creditors except for trading positions are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Trading positions are measured at fair value subsequent to initial measurement.

**2. STAFF COSTS**

|                       | 31.12.15       | 31.12.14       |
|-----------------------|----------------|----------------|
|                       | £              | £              |
| Wages and salaries    | 223,446        | 290,249        |
| Social security costs | 21,766         | 31,941         |
|                       | <u>245,212</u> | <u>322,190</u> |

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

|  | 31.12.15 | 31.12.14 |
|--|----------|----------|
| Settlement, back office & administration | 3        | 2        |
| Sales and customer support               | 2        | 2        |
|  | <u>5</u> | <u>4</u> |

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

|   | 31.12.15       | 31.12.14       |
|---|----------------|----------------|
|   | £              | £              |
| Other operating leases                    | 41,169         | 31,064         |
| Depreciation - owned assets               | 871            | 639            |
| Auditors' remuneration                    | 14,000         | 14,400         |
| Auditors' remuneration for non audit work | 34,191         | 20,216         |
| Foreign exchange differences              | 10,403         | (30,972)       |
|   | <u>100,500</u> | <u>151,431</u> |

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2015**

**4. TAXATION**

**Analysis of the tax charge**

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

|                                      | 31.12.15<br>£ | 31.12.14<br>£ |
|--------------------------------------|---------------|---------------|
| Current tax:                         |               |               |
| UK corporation tax                   | 15,008        | 22            |
|                                      | <u>15,008</u> | <u>22</u>     |
| Tax on profit on ordinary activities | <u>15,008</u> | <u>22</u>     |

**Reconciliation of total tax charge included in profit and loss**

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

|  | 31.12.15<br>£ | 31.12.14<br>£ |
|--|---------------|---------------|
| Profit on ordinary activities before tax   | 149,652       | 186,974       |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014 - 20%) | 29,930        | 37,395        |
| Effects of:  |               |               |
| Expenses not deductible for tax purposes   | 118           | 219           |
| Capital allowances in excess of depreciation   | (295)         | (227)         |
| Utilisation of tax losses  | (14,745)      | (37,365)      |
|  | <u>15,008</u> | <u>22</u>     |
| Total tax charge   | <u>15,008</u> | <u>22</u>     |

**5. TANGIBLE FIXED ASSETS**

|                       | Computer equipment<br>£ |
|-----------------------|-------------------------|
| <b>COST</b>           |                         |
| At 1 January 2015     | 4,609                   |
| Additions             | 2,348                   |
|                       | <u>6,957</u>            |
| At 31 December 2015   | <u>6,957</u>            |
| <b>DEPRECIATION</b>   |                         |
| At 1 January 2015     | 2,190                   |
| Charge for year       | 871                     |
|                       | <u>3,061</u>            |
| At 31 December 2015   | <u>3,061</u>            |
| <b>NET BOOK VALUE</b> |                         |
| At 31 December 2015   | <u>3,896</u>            |
| At 31 December 2014   | <u>2,419</u>            |

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2015**

**6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                    | 31.12.15       | 31.12.14       |
|------------------------------------|----------------|----------------|
|                                    | £              | £              |
| Amounts owed by group undertakings | 151,499        | 371,832        |
| Other debtors                      | 91,444         | 131,313        |
| Prepayments                        | 24,566         | 6,298          |
|                                    | <u>267,509</u> | <u>509,443</u> |

**7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                 | 31.12.15       | 31.12.14      |
|---------------------------------|----------------|---------------|
|                                 | £              | £             |
| Trade creditors                 | 225,346        | 22,899        |
| Corporation tax                 | 15,030         | 22            |
| Social security and other taxes | 721            | 202           |
| Other creditors                 | 84,913         | 5,634         |
| Credit card                     | 1,434          | 1,281         |
| Accrued expenses                | 161,507        | 15,600        |
|                                 | <u>488,951</u> | <u>45,638</u> |

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2015**

**8. FINANCIAL INSTRUMENTS**

The table below sets out the classification of each class of financial assets and liabilities.

'Cash at bank and in hand' represents cash held on demand and on deposit with the financial institutions.

'Trade and other receivables' represents balances owed to the company by brokers and clients, Open positions with client and brokers that are neither past due nor impaired are disclosed as Fair Value Through Profit and Loss (FVTPL). Closed positions with client and brokers are disclosed as loans and receivables.

'Trade and other payables' represents balances where the combination of client's cash held on account and the valuation of financial derivatives open positions results in amounts payable by the Company.

|   |                  |                  |
|---|------------------|------------------|
| <b>Financial assets</b>                                     | <b>31.12.15</b>  | <b>31.12.14</b>  |
| At amortised cost:  | £                | £                |
| Amounts due from parent undertaking - loans and receivables | 151,499          | 371,832          |
| Amounts due from third parties - loans and receivables      | 61,541           | 123,387          |
| Cash at bank and in hand                                    | 1,679,173        | 860,759          |
| At Fair Value Through Profit and Loss:                      |                  |                  |
| Amounts due from clients - FVTPL                            | 28,965           | 7,571            |
| Non-financial assets  | 29,400           | 9,072            |
| Total assets  | <u>1,950,578</u> | <u>1,372,621</u> |
| <b>Financial liabilities</b>                                |                  |                  |
| Amortised cost  |                  |                  |
| Trade creditors and accruals                                | 488,951          | 45,638           |
| Total liabilities   | <u>488,951</u>   | <u>45,638</u>    |

The directors believe that the carrying value of the Company's financial instruments approximates their fair value. All financial assets and liabilities are due to mature within a year and repayable on demand.

The Company's derivatives are level two financial instruments and are derived directly from market foreign exchange rates, indices and share prices.

**9. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

| Number:   | Class:   | Nominal value: | 31.12.15         | 31.12.14         |
|-----------|----------|----------------|------------------|------------------|
|           |          | £              | £                | £                |
| 1,400,000 | Ordinary | £1             | <u>1,400,000</u> | <u>1,400,000</u> |

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2015**

**10. RESERVES**

|                     | Retained<br>earnings<br>£ |
|---------------------|---------------------------|
| At 1 January 2015   | (73,017)                  |
| Profit for the year | 134,644                   |
|                     | <hr/>                     |
| At 31 December 2015 | <u>61,627</u>             |

**11. RELATED PARTY DISCLOSURES**

As at 31 December 2015, £151,499 (2014: £371,832) of company's funds were held in a trading account with the parent company, Deltastock AD Bulgaria.

During the period, the company was charged £144,372 (2014: £7,200) by the parent company, Deltastock AD Bulgaria in respect of outsourcing of the trading platform.

During the year remuneration of £100,500 was paid to key management personnel.

**12. ULTIMATE CONTROLLING PARTY**

The company's ultimate controlling entity and immediate parent company is Deltastock AD Bulgaria, a company incorporated in Bulgaria, controlling directly 100% of the issued share capital of the company. The parent undertaking of the smallest and largest group, which includes the company and for which group accounts are prepared, is Deltastock AD Bulgaria.

The directors believe that no one individual has overall control.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2015**

**13. FINANCIAL RISK MANAGEMENT**

The Company's principal business activities result in exposure to market, foreign currency and credit risks. Effective identification, assessment and management of these risks is critical to the success and stability of the Company. As a result, risk management procedures have been established to identify, monitor and control each of these major risks.

The board of directors are responsible for monitoring and oversight of activities and risk exposure of the Company.

**Market risk**

Market risk is the risk of potential loss due to changes in market prices. The Company takes positions and these gives rise to market risk in the event of price movement. Such risks are monitored and controlled by the setting of limits and the use of hedging where appropriate. The Company therefore has exposure to market risk to the extent that it has a residual un-hedged position. No sensitivity analysis has been performed as the net market risk is the sum of unconnected positions across a range of different markets.

In the directors' opinion, as a result of hedging undertaken by the Company, Market risk is not significant and no sensitivity analysis is presented as the impact of reasonably possible market movements is immaterial.

**Foreign currency risk**

The Company undertakes transactions denominated in foreign currencies. Hence, exposure to exchange rates fluctuations arise. At the year end, the carrying amounts of the Company's foreign currency denominated monetary assets are as follows:

|                       |           |          |
|-----------------------|-----------|----------|
| Foreign currency risk | 31.12.15  | 31.12.14 |
|                       | £         | £        |
| USD                   | 87,175    | 80,105   |
| Euro                  | 1,367,040 | 586,596  |

The Company did not have any foreign currency denominated monetary liabilities as at the year end. The directors believe that there is no significant foreign exchange risk exposure.

**Interest rate risk**

The Company is not exposed to interest rate risk. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

**Credit risk**

Management believes that the Company has exposure to credit risk in respect of its clients. Company is exposed to default risk arising from the potential that clients or counterparties may fail to satisfy their obligations. The Company seeks to control the risks associated with its client margin activities by requiring clients to maintain collateral in compliance with regulatory and internal guidelines. The Company operates a real time mark-to-market trading platform with clients' profits and losses being credited and debited automatically to their account. Client credit risk can arise where there are significant sudden movements in the underlying market for the product they are trading. Credit loss mitigation is achieved by ensuring clients collateralise their accounts at an appropriate level and by the utilisation of an automated close out facility which liquidates a client's risk positions appropriately if liquidation thresholds are broken.

**Concentrations of credit risk**

The Company's exposure to credit risk associated with its principal activities ie measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. Concentration of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions. As at 31 December 2015 and 2014, the Company did not have material concentrations of credit risk.

**Liquidity risk**

Liquidity risk is the risk that an entity may encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. The Company has established procedures for measuring funding requirements and identifying potential liquidity mismatches.



**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2015**

The Company maintains a highly liquid balance sheet with majority of assets comprising of cash held with banks and clearing houses. Cash and cash equivalents as at 31 December 2015 was £1,679,163 (31 December 2014 - £860,759).

**14. CAPITAL MANAGEMENT**

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern, and
- To meet regulatory capital requirements at all times.

These objectives are primarily met by managing the market risks that the Company faces on a regular basis.

The Company is regulated by the Financial Conduct Authority (FCA), and is required to adhere to a minimum capital requirement. Capital is represented by issued share capital and reserves. The capital requirements are derived from credit risk, operational risk, market risk and counterparty risk.

There have been no changes to the capital management objectives, policies and procedures since the prior period.

As at the reporting date capital resources, capital requirements and capital surplus were as follows:

|                      | 31.12.15<br>£('000) | 31.12.14<br>£('000) |
|----------------------|---------------------|---------------------|
| Capital reserves     | 1,193               | 778                 |
| Capital requirements | 1,462               | 1,327               |
| Surplus              | 269                 | 549                 |

The regulatory capital requirements are calculated daily and monitored on an intraday basis. The regulatory capital requirements and resources are reported to the FCA on a quarterly basis.

There have been no changes in the Company's management of capital and its capital has been in excess of the capital requirement throughout the period.

The Company has surplus cash at the reporting date, and it has adequate forecast financial resources in order to meet its liabilities as they fall due.

In the opinion of the directors the Company is a going concern based on the following key indicators:

- Increase in trading volumes
- Increase in number of trading clients

All of the above have been forecast in line with the Company's expansion plans and are adequate to meet the capital requirements.

In light of the above, the going concern basis of accounting is deemed to be appropriate for the Company.

**15. CLIENT MONEY**

The company holds client money in accordance with client money regulations of the Financial Conduct Authority (FCA). Such money and corresponding liabilities are not shown on the balance sheet as the company is not beneficially entitled thereto.

At 31 December 2015, amounts held by the firm on behalf of clients amounted to £3,435,167 (31 December 2014- £3,556,821). These amounts are not incorporated in the Company's balance sheet.

**Delta Financial Markets Ltd (Registered number: 07280005)**

**Reconciliation of Equity**

**1 January 2014**

**(Date of Transition to FRS 102)**

|  | Notes | UK<br>GAAP<br>£ | Effect of<br>transition<br>to FRS 102<br>£ | FRS 102<br>£ |
|--|-------|-----------------|--|--------------|
| <b>FIXED ASSETS</b>                              |       |                 |  |              |
| Tangible assets                                  |       | 1,283           | -  | 1,283        |
| <b>CURRENT ASSETS</b>                            |       |                 |  |              |
| Debtors  |       | 220,924         | -  | 220,924      |
| Cash at bank                                     |       | 806,598         | -  | 806,598      |
|  |       | 1,027,522       | -  | 1,027,522    |
| <b>CREDITORS</b>                                 |       |                 |  |              |
| Amounts falling due within one year              |       | (88,774)        | -  | (88,774)     |
| <b>NET CURRENT ASSETS</b>                        |       | 938,748         | -  | 938,748      |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b> |       | 940,031         | -  | 940,031      |
| <b>NET ASSETS</b>                                |       | 940,031         | -  | 940,031      |
| <b>CAPITAL AND RESERVES</b>                      |       |                 |  |              |
| Called up share capital                          |       | 1,200,000       | -  | 1,200,000    |
| Retained earnings                                |       | (259,969)       | -  | (259,969)    |
| <b>SHAREHOLDERS' FUNDS</b>                       |       | 940,031         | -  | 940,031      |

The notes form part of these financial statements

**Reconciliation of Equity - continued**  
**31 December 2014**

|  | Notes | UK<br>GAAP<br>£ | Effect of<br>transition<br>to FRS 102<br>£ | FRS 102<br>£ |
|--|-------|-----------------|--|--------------|
| <b>FIXED ASSETS</b>                              |       |                 |  |              |
| Tangible assets                                  |       | 2,419           | -  | 2,419        |
| <b>CURRENT ASSETS</b>                            |       |                 |  |              |
| Debtors  |       | 509,443         | -  | 509,443      |
| Cash at bank                                     |       | 860,759         | -  | 860,759      |
|  |       | 1,370,202       | -  | 1,370,202    |
| <b>CREDITORS</b>                                 |       |                 |  |              |
| Amounts falling due within one year              |       | (45,638)        | -  | (45,638)     |
| <b>NET CURRENT ASSETS</b>                        |       | 1,324,564       | -  | 1,324,564    |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b> |       | 1,326,983       | -  | 1,326,983    |
| <b>NET ASSETS</b>                                |       | 1,326,983       | -  | 1,326,983    |
| <b>CAPITAL AND RESERVES</b>                      |       |                 |  |              |
| Called up share capital                          |       | 1,400,000       | -  | 1,400,000    |
| Retained earnings                                |       | (73,017)        | -  | (73,017)     |
| <b>SHAREHOLDERS' FUNDS</b>                       |       | 1,326,983       | -  | 1,326,983    |

The notes form part of these financial statements

**Delta Financial Markets Ltd (Registered number: 07280005)**

**Reconciliation of Profit**  
**for the Year Ended 31 December 2014**

|  | <b>UK<br/>GAAP<br/>£</b> | <b>Effect of<br/>transition<br/>to FRS 102<br/>£</b> | <b>FRS 102<br/>£</b> |
|--|--------------------------|--|----------------------|
| <b>TURNOVER</b>  | 2,017,159                | -  | 2,017,159            |
| Cost of sales  | (1,261,105)              | -  | (1,261,105)          |
| <b>GROSS PROFIT</b>                                      | 756,054                  | -  | 756,054              |
| Administrative expenses                                  | (569,190)                | -  | (569,190)            |
| <b>OPERATING PROFIT</b>                                  | 186,864                  | -  | 186,864              |
| Interest receivable and similar income                   | 110                      | -  | 110                  |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> | 186,974                  | -  | 186,974              |
| Tax on profit on ordinary activities                     | (22)                     | -  | (22)                 |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                     | 186,952                  | -  | 186,952              |

The notes form part of these financial statements