

**Strategic Report, Report of the Directors and**  
**Financial Statements for the Year Ended 31 December 2016**  
**for**  
**Delta Financial Markets Ltd**

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for the Year Ended 31 December 2016**

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**Delta Financial Markets Ltd**

**Company Information**  
**for the Year Ended 31 December 2016**

**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 2016**

The directors present their strategic report for the year ended 31 December 2016.

**REVIEW OF BUSINESS**

Delta Financial Markets Limited (DF Markets) issues the following trading update relating to the 12 months ended on the 31 of December 2016.

The year of 2016 was a profitable year for the company with a relatively good increase in the number of active clients and a doubled net inflow of client funds, although, the directors note that the revenue growth from the previous year could not be matched.

The year has been marked by the emergence of two major macro environmental factors for the business of the firm - namely, these are the UK's BREXIT vote to leave the EU and the announcement by competent authorities of proposals as well as some decisions for changes to the regulatory framework of the retail CFD and financial spread betting sector in the firm's key markets - UK and across EU. These both factors feature uncertainty in terms of outcome, implications and timings that gives rise to remarkable challenges for the directors' strategy management decision-making. Despite limited information on how exactly BREXIT will be achieved, having regard to the effect it is likely to have on EEA passporting rights for the firm, and on the structure of the regulatory changes to be confirmed by the Financial Conduct Authority and its EU counterparts, directors have focused to define relevant mitigation plans for all identified and monitored risks, in order to remain ahead of the curve.

Plans are being put in place to advance DF Markets' CFD and financial spread betting service offerings as well as to gradually diversify firm's operations by tapping into the sector of remote fixed odds sports and casino betting services, the latter being contemplated to be implemented through a "white-label" agreement with a licensed operator.

Directors believe the business is able to adapt and look forward to continuing the firm's successful development.

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.

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 in 2016. Relevant to the online nature of the services which are being provided on an execution-only basis, a variety of digital marketing campaigns were implemented in an attempt to drive growth in the number of new customers as well as to build DF Markets brand awareness and brand visibility in the marketplace. The effective relationships with introducing partners along with the high-quality customer service played a key role for that growth to materialise.

Marketing budget spend was allocated among Search Engine Optimisation (SEO), Google adwords and display network advertising, advertising on leading niche comparison websites.

The company has started developing a new website in the fourth quarter of the year which will boast a clean and modern design, intuitive and consistent side-wide navigation system with improved menu functionality that will direct the visitor to the information most relevant to them. It will be fully responsive with mobile devices. The website is expected to be released in 2017.

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 personalised customer service are recognised as key factors in the firm's strategic approach to retain high-value experienced premium clients, who understand the products they are trading, and to continue driving client recruitment.

**Strategic Report**  
**for the Year Ended 31 December 2016**

**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 settling 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 2016**

**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:**

**Strategic Report**  
**for the Year Ended 31 December 2016**

V A Kisyov - Director

11 April 2017

**Report of the Directors**  
**for the Year Ended 31 December 2016**

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

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 2016.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

V A Kisyov  
N Nedkov

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, 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 2016**

**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

11 April 2017

## **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 2016 on pages nine to twenty two. 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 2016 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.

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

**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

12 April 2017

**Income Statement**  
**for the Year Ended 31 December 2016**

	Notes	31.12.16 £	31.12.15 £
<b>TURNOVER</b>		2,429,088	3,357,441
Cost of sales		<u>1,179,328</u>	<u>1,617,252</u>
<b>GROSS PROFIT</b>		1,249,760	1,740,189
Administrative expenses		<u>1,133,115</u>	<u>1,590,575</u>
<b>OPERATING PROFIT</b>	4	116,645	149,614
Interest receivable and similar income		<u>98</u>	<u>38</u>
<b>PROFIT BEFORE TAXATION</b>		116,743	149,652
Tax on profit	5	<u>22,849</u>	<u>15,008</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>93,894</u>	<u>134,644</u>

**Other Comprehensive Income**  
**for the Year Ended 31 December 2016**

	Notes	31.12.16 £	31.12.15 £
<b>PROFIT FOR THE YEAR</b>		93,894	134,644
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>FOR THE YEAR</b>		<u>93,894</u>	<u>134,644</u>

**Delta Financial Markets Ltd (Registered number: 07280005)****Balance Sheet**  
**31 December 2016**

	Notes	31.12.16 £	£	31.12.15 £	£
<b>FIXED ASSETS</b>					
Tangible assets	6		6,399		3,896
<b>CURRENT ASSETS</b>					
Debtors	7	554,260		267,509	
Cash at bank		<u>2,159,876</u>		<u>1,679,173</u>	
		2,714,136		1,946,682	
<b>CREDITORS</b>					
Amounts falling due within one year	8	<u>1,065,014</u>		<u>488,951</u>	
<b>NET CURRENT ASSETS</b>			<u>1,649,122</u>		<u>1,457,731</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,655,521</u>		<u>1,461,627</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		1,500,000		1,400,000
Retained earnings	11		<u>155,521</u>		<u>61,627</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>1,655,521</u>		<u>1,461,627</u>

The financial statements were approved by the Board of Directors on 11 April 2017 and were signed on its behalf by:

V A Kisyov - Director

The notes form part of these financial statements

**Statement of Changes in Equity**  
**for the Year Ended 31 December 2016**

	Called up share capital £	Retained earnings £	Total equity £
<b>Balance at 1 January 2015</b>	1,400,000	(73,017)	1,326,983
<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>
<b>Changes in equity</b>			
Issue of share capital	100,000	-	100,000
Total comprehensive income	-	93,894	93,894
<b>Balance at 31 December 2016</b>	<u>1,500,000</u>	<u>155,521</u>	<u>1,655,521</u>

**Cash Flow Statement**  
**for the Year Ended 31 December 2016**

	Notes	31.12.16 £	31.12.15 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	399,904	820,724
Tax paid		<u>(15,018)</u>	<u>-</u>
Net cash from operating activities		<u>384,886</u>	<u>820,724</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(4,281)	(2,348)
Interest received		<u>98</u>	<u>38</u>
Net cash from investing activities		<u>(4,183)</u>	<u>(2,310)</u>
<b>Cash flows from financing activities</b>			
Share issue		<u>100,000</u>	<u>-</u>
Net cash from financing activities		<u>100,000</u>	<u>-</u>
<b>Increase in cash and cash equivalents</b>		<u>480,703</u>	<u>818,414</u>
<b>Cash and cash equivalents at beginning of year</b>	2	1,679,173	860,759
<b>Cash and cash equivalents at end of year</b>	2	<u><u>2,159,876</u></u>	<u><u>1,679,173</u></u>

The notes form part of these financial statements



**Notes to the Cash Flow Statement  
for the Year Ended 31 December 2016**

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

	31.12.16	31.12.15
	£	£
Profit before taxation	116,743	149,652
Depreciation charges	1,778	871
Finance income	(98)	(38)
	<u>118,423</u>	<u>150,485</u>
(Increase)/decrease in trade and other debtors	(286,751)	241,934
Increase in trade and other creditors	<u>568,232</u>	<u>428,305</u>
<b>Cash generated from operations</b>	<u><u>399,904</u></u>	<u><u>820,724</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 2016**

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	<u>2,159,876</u>	<u>1,679,173</u>

**Year ended 31 December 2015**

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

**Notes to the Financial Statements**  
**for the Year Ended 31 December 2016**

**1. STATUTORY INFORMATION**

Delta Financial Markets Ltd 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 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.

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

**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 balance sheet date.

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016**

**2. ACCOUNTING POLICIES - continued**

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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**

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.

**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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016**

**3. EMPLOYEES AND DIRECTORS**

	31.12.16	31.12.15
	£	£
Wages and salaries	243,559	223,446
Social security costs	23,354	21,766
Other pension costs	977	-
	<u>267,890</u>	<u>245,212</u>

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

	31.12.16	31.12.15
Settlement, back office & administration	1	3
Sales and customer support	3	2
	<u>4</u>	<u>5</u>

	31.12.16	31.12.15
	£	£
Directors' remuneration	<u>117,000</u>	<u>100,500</u>

**4. OPERATING PROFIT**

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

	31.12.16	31.12.15
	£	£
Hire of plant and machinery	39,570	41,169
Depreciation - owned assets	1,778	871
Auditors' remuneration	16,200	14,000
Auditors' remuneration for non audit work	26,965	34,191
Foreign exchange differences	<u>(149,328)</u>	<u>10,403</u>

**5. TAXATION**

**Analysis of the tax charge**

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

	31.12.16	31.12.15
	£	£
Current tax:		
UK corporation tax	<u>22,849</u>	<u>15,008</u>
Tax on profit	<u>22,849</u>	<u>15,008</u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016**

**5. TAXATION - continued**

**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:

	31.12.16	31.12.15
	£	£
Profit before tax	<u>116,743</u>	<u>149,652</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	23,349	29,930
Effects of:		
Expenses not deductible for tax purposes	-	118
Capital allowances in excess of depreciation	(500)	(295)
Utilisation of tax losses	-	(14,745)
Total tax charge	<u>22,849</u>	<u>15,008</u>

**6. TANGIBLE FIXED ASSETS**

	Computer equipment £
<b>COST</b>	
At 1 January 2016	6,957
Additions	<u>4,281</u>
At 31 December 2016	<u>11,238</u>
<b>DEPRECIATION</b>	
At 1 January 2016	3,061
Charge for year	<u>1,778</u>
At 31 December 2016	<u>4,839</u>
<b>NET BOOK VALUE</b>	
At 31 December 2016	<u>6,399</u>
At 31 December 2015	<u>3,896</u>

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

	31.12.16	31.12.15
	£	£
Amounts owed by group undertakings	286,305	151,499
Other debtors	242,896	91,444
Prepayments	<u>25,059</u>	<u>24,566</u>
	<u>554,260</u>	<u>267,509</u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016****8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.16	31.12.15
	£	£
Trade creditors	890,063	225,346
Corporation tax	22,861	15,030
Social security and other taxes	16,413	721
Other creditors	117,677	84,913
Credit card	-	1,434
Accrued expenses	18,000	161,507
	<u>1,065,014</u>	<u>488,951</u>

**9. 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>	31.12.16	31.12.15
At amortised cost:	£	£
Amounts due from parent undertaking - loans and receivables	286,305	151,499
Amounts due from third parties - loans and receivables	203,257	61,541
Cash at bank and in hand	2,159,876	1,679,173
At Fair Value Through Profit and Loss:		
Amounts due from clients - FVTPL	9,191	28,965
Non-financial assets	61,906	29,400
Total assets	<u>2,720,535</u>	<u>1,950,578</u>
<b>Financial liabilities</b>		
Amortised cost		
Trade creditors and accruals	1,065,014	488,951
Total liabilities	<u>1,065,014</u>	<u>488,951</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.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**10. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.16 £	31.12.15 £
1,500,000	Ordinary	£1	<u>1,500,000</u>	<u>1,400,000</u>

During the year, an additional 100,000 ordinary shares of £1 each were issued.

**11. RESERVES**

	Retained earnings £
At 1 January 2016	61,627
Profit for the year	<u>93,894</u>
At 31 December 2016	<u>155,521</u>

**12. RELATED PARTY DISCLOSURES**

As at 31 December 2016, £286,305 (2015: £151,499) of company's funds were held in a trading account with the parent company, Deltastock AD Bulgaria.

During the period, the company was charged £250,199 (2015: £144,372) by the parent company, Deltastock AD Bulgaria in respect of outsourcing of the trading platform. At the year end £242,999 is payable to Deltastock AD Bulgaria.

During the year remuneration of £117,000 was paid to key management personnel.

**13. 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 2016**

**14. 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	31.12.16	31.12.15
£                      £		
USD	139,592	87,175
Euro	1,682,635	1,367,040

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 2016**

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 2016 was £2,280,104 (31 December 2015 - £1,679,173).

**15. 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:

	31.12.16 £('000)	31.12.15 £('000)
Capital reserves	1,656	1,193
Capital requirements	1,388	1,462
Surplus	268	269

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.

**16. 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 2016, amounts held by the firm on behalf of clients amounted to £6,823,685 (31 December 2015- £3,435,167). These amounts are not incorporated in the Company's balance sheet.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.