

Company Registration No. 3770004 (England and Wales)

GAIN CAPITAL - FOREX.COM UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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GAIN CAPITAL - FOREX.COM UK LIMITED

COMPANY INFORMATION

Directors

Mr M Wright
Mr C Sugden
Ms S Roady (Appointed 1 February 2010)
Mr T O'Sullivan (Appointed 21 May 2010)
Mr A Bobinski
Mr K O'Brien

Secretary

Mr M Wright

Company number

3770004

Registered office

3rd Floor
23 College Hill
London
EC4A 2RT

Auditors

Fisher, Sassoon & Marks
43-45 Dorset Street
London
W1U 7NA

Business address

3rd Floor
23 College Hill
London
EC4A 2RT

Bankers

Barclays Corporate Banking
P O Box 544
54 Lombard Street
London
EC3V 9EX

GAIN CAPITAL - FOREX.COM UK LIMITED

CONTENTS

	Page
Directors' report	1 - 4
Independent auditors' report	5 - 6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the cash flow statement	10
Notes to the financial statements	11 - 16

GAIN CAPITAL - FOREX.COM UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and financial statements for the year ended 31 December 2010

Principal activities and review of the business

The principal activity of the company is as an online provider of retail and institutional foreign exchange, or forex, trading and related services. The Company offer customers 24-hour direct access to the global over-the-counter, or OTC, foreign exchange markets. It also offers its retail customers access to other global markets on an OTC basis, including equity indices and commodities via "contracts-for-difference", or CFDs, which are investment products with returns linked to the performance of an underlying commodity, index or security. The Company's trading platforms provide a wide array of information and analytical tools that allow its customers to identify, analyse and execute their trading strategies efficiently and cost-effectively.

The results for the year and the financial position at the year end were considered satisfactory by the directors and are confident of improved results in the ensuing year. Following the takeover of the company by Gain Capital International LLC the company is focusing on offering Rolling Spot FX to retail customers.

As a service provider the directors consider that the key financial risk exposures faced by the company relate to customers credit risk and the need to maintain sufficient liquidity to satisfy regulatory capital requirements and working capital needs.

The company's financial risk management objectives are therefore to minimise the key financial risks through having clearly defined terms of business with customers and stringent credit control over transactions with them, and regular monitoring of cash flow and management accounts to ensure regulatory capital requirements are not breached and the company maintains adequate working capital.

The principal non financial risks faced by the company relate to information technology failure. This is mitigated by having appropriate back up systems and procedures and a disaster recovery programme.

Capital Requirements Directive Pillar 3 Disclosure

Background

The Capital Requirements Directive ('the Directive') of the European Union created a revised regulatory capital framework across Europe governing how much capital financial services firms must retain. In the United Kingdom, this is being implemented by our regulator, the Financial Services Authority ('FSA') who has created new rules and guidance specifically through the creation of the General Prudential Source book ('GENPRU') and the Prudential Source book for Banks, Building Societies and Investment Firms ('BIPRU'). The new FSA framework consists of three 'Pillars'. Pillar 1 sets out the minimum capital requirements that we need to retain to meet our credit, market and operational risk, Pillar 2 requires us, and the FSA, to take a view on whether we need to hold additional capital against firm-specific risks not covered by Pillar 1, and Pillar 3 requires us to develop a set of disclosures which will allow market participants to assess key information about our underlying risks, risk management controls and capital position. The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This must be done in accordance with a formal disclosure document. The disclosure of this document meets our obligation with respect to Pillar 3. The rules provide that we may omit one or more of the required disclosures if we believe that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Where we have considered a disclosure to be immaterial, we have stated this in the document. In addition, we may also omit one or more of the required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties. Where we have omitted information for either of these two reasons we have stated this in the relevant section and the reasons for this.

GAIN CAPITAL - FOREX.COM UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

Scope and application of the requirements

The company is authorised and regulated by the FSA and has permission to arrange and deal in investments specialising in foreign exchange contracts for differences and commodities

Risk management

The Directors determine the company's business strategy and risk appetite along with designing and implementing a risk management framework that recognizes the risks that the business faces. They also determine how those risks may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Directors meet on a regular basis and discuss current projections for profitability and regulatory capital management, business planning and risk management. The Directors manage the firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FSA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required. The firm follows the standardised approach to market risk and the simplified standard approach to credit risk.

Capital Requirements Directive Pillar 3 disclosure

As at 31 December 2010, the firm's Pillar 1 requirement is in the range of £2,733,000 while its Pillar 2 requirement is £3,641,000.

The firm as a full scope firm and as such its capital requirement are greater of Base capital requirement of €730,000, or the sum of its market, operational and credit risk requirement, or its Internal Capital Adequacy Assessment Process (Pillar II) requirement. The firm has not omitted any disclosures on the grounds of confidentiality.

At the year end the company had net assets of £11,673,129 (2009 - £4,205,037)

Key performance indicators are gross profit (70.47% v 69.91% (2009)), net profit (42.55% v 24.18% (2009)) and return on investment ratios (69.39% v 29.21% (2009)).

Results and dividends

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

The directors do not recommend payment of an ordinary dividend.

Post balance sheet events

There are no matters to report.

Future developments

There are no matters to report.

Directors

The following directors have held office since 1 January 2010

Mr M Wright

Mr C Sugden

Ms S Roady

Mr G Stevens

Mr T O'Sullivan

Mr A Bobinski

(Appointed 1 February 2010)

(Resigned 1 March 2011)

(Appointed 21 May 2010)

GAIN CAPITAL - FOREX.COM UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

Mr C Calhoun
Mr K O'Brien

(Resigned 7 January 2011)

Taxation status

The company was a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the company's contractual and other legal obligations

Introduction of the euro

The company has assessed the extent of the preparation that it needed to make for the introduction of the euro. It has identified that its systems do not need amending to deal with the introduction of the euro

Financial instruments

Treasury operations and financial instruments

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities

The company's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks and interest rate risks arising from the company's activities. In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. Derivative transactions which the company enters into principally comprise forward exchange contracts. In accordance with the company's treasury policy, derivative instruments are not entered into for speculative purposes

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the businesses

Foreign currency risk

The company's principal foreign currency exposures arise from its revenue being generated in overseas currencies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary

Auditors

The auditors, Fisher, Sassoon & Marks, are deemed to be reappointed under section 487(2) of the Companies Act 2006

GAIN CAPITAL - FOREX.COM UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

Mr M Wright

Director

27/01/11

GAIN CAPITAL - FOREX.COM UK LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GAIN CAPITAL - FOREX.COM UK LIMITED

We have audited the financial statements of Gain Capital - Forex com UK Limited for the year ended 31 December 2010 set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 2010 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

GAIN CAPITAL - FOREX.COM UK LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF GAIN CAPITAL - FOREX.COM UK LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jonathan Marks (Senior Statutory Auditor)
for and on behalf of Fisher, Sassoon & Marks

27/4/2011

Chartered Accountants
Statutory Auditor

43-45 Dorset Street
London
W1U 7NA

GAIN CAPITAL - FOREX.COM UK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
Turnover	2	24,925,981	7,712,313
Cost of sales		(7,361,257)	(2,320,697)
Gross profit		17,564,724	5,391,616
Administrative expenses		(7,007,571)	(3,528,149)
Operating profit	3	10,557,153	1,863,467
Other interest receivable and similar income	4	49,748	1,441
Profit on ordinary activities before taxation		10,606,901	1,864,908
Tax on profit on ordinary activities	5	(3,138,809)	(515,400)
Profit for the year	11	7,468,092	1,349,508

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

GAIN CAPITAL - FOREX.COM UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2010

	Notes	2010 £	£	2009 £	£
Fixed assets					
Tangible assets	6		68,059		57,113
Current assets					
Debtors	7	658,047		216,109	
Cash at bank and in hand		13,202,571		5,064,360	
		<u>13,860,618</u>		<u>5,280,469</u>	
Creditors amounts falling due within one year	8	<u>(2,255,548)</u>		<u>(1,132,545)</u>	
Net current assets			<u>11,605,070</u>		<u>4,147,924</u>
Total assets less current liabilities			<u>11,673,129</u>		<u>4,205,037</u>
Capital and reserves					
Called up share capital	10	2,850,000		2,850,000	
Profit and loss account	11	8,823,129		1,355,037	
Shareholders' funds	12	<u>11,673,129</u>		<u>4,205,037</u>	

Approved by the Board and authorised for issue on

27/04/11

Mr M Wright
Director

Company Registration No. 3770004

GAIN CAPITAL - FOREX.COM UK LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	£	2010 £	£	2009 £
Net cash inflow from operating activities		10,217,134		2,057,442
Returns on investments and servicing of finance				
Interest received	49,748		1,441	
Net cash inflow for returns on investments and servicing of finance		49,748		1,441
Taxation		(2,001,066)		-
Capital expenditure				
Payments to acquire tangible assets	(47,367)		(71,652)	
Net cash outflow for capital expenditure		(47,367)		(71,652)
Net cash inflow before management of liquid resources and financing		8,218,449		1,987,231
Financing				
Issue of ordinary share capital	-		2,650,000	
Issue of shares	-		2,650,000	
Decrease in debt	-		-	
Net cash (outflow)/inflow from financing		-		2,650,000
Increase in cash in the year		8,218,449		4,637,231

GAIN CAPITAL - FOREX.COM UK LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

1	Reconciliation of operating profit to net cash inflow from operating activities	2010	2009
		£	£
	Operating profit	10,557,153	1,863,467
	Depreciation of tangible assets	36,421	20,009
	Loss on disposal of tangible assets	-	868
	Increase in debtors	(441,938)	(201,405)
	Increase in creditors within one year	65,498	374,503
	Net cash inflow from operating activities	10,217,134	2,057,442

2	Analysis of net funds	1 January 2010	Cash flow	Other non-cash changes	31 December 2010
		£	£	£	£
	Net cash				
	Cash at bank and in hand	5,064,360	8,138,211	-	13,202,571
	Bank overdrafts	(83,448)	80,238	-	(3,210)
		<u>4,980,912</u>	<u>8,218,449</u>	<u>-</u>	<u>13,199,361</u>
	Bank deposits	-	-	-	-
	Net funds	4,980,912	8,218,449	-	13,199,361

3	Reconciliation of net cash flow to movement in net funds	2010	2009
		£	£
	Increase in cash in the year	8,218,449	4,637,231
	Movement in net funds in the year	8,218,449	4,637,231
	Opening net funds	4,980,912	343,681
	Closing net funds	13,199,361	4,980,912

GAIN CAPITAL - FOREX.COM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents net revenue from dealing in foreign exchange contract for differences and commodity transaction services

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Computer equipment	33 1/3% Straight Line
Furniture, fixtures, fittings & equipment	33 1/3% Straight Line

1.5 Leasing

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

1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3 Operating profit

	2010 £	2009 £
Operating profit is stated after charging		
Depreciation of tangible assets	36,421	20,009
Loss on disposal of tangible assets	-	868
Operating lease rentals	78,675	51,801
Fees payable to the company's auditor for the audit of the company's annual accounts	16,421	19,539

GAIN CAPITAL - FOREX.COM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

4	Investment income	2010	2009
		£	£
	Bank interest	49,748	1,441
		<u>49,748</u>	<u>1,441</u>
5	Taxation	2010	2009
		£	£
	Domestic current year tax		
	U K corporation tax	3,052,979	515,400
	Adjustment for prior years	85,830	-
	Total current tax	<u>3,138,809</u>	<u>515,400</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>10,606,901</u>	<u>1,864,908</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	<u>2,969,932</u>	<u>522,174</u>
	Effects of		
	Non deductible expenses	2,864	4,024
	Depreciation add back	10,198	5,846
	Capital allowances	(14,283)	(16,688)
	Adjustments to previous periods	85,830	-
	Other tax adjustments	84,268	44
		<u>168,877</u>	<u>(6,774)</u>
	Current tax charge for the year	<u>3,138,809</u>	<u>515,400</u>

GAIN CAPITAL - FOREX.COM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

6 Tangible fixed assets

	Computer equipment	Furniture, fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 January 2010	30,176	47,720	77,896
Additions	16,329	31,038	47,367
At 31 December 2010	46,505	78,758	125,263
Depreciation			
At 1 January 2010	8,102	12,681	20,783
Charge for the year	12,883	23,538	36,421
At 31 December 2010	20,985	36,219	57,204
Net book value			
At 31 December 2010	25,520	42,539	68,059
At 31 December 2009	22,074	35,039	57,113

7 Debtors

	2010 £	2009 £
Amounts owed by parent and fellow subsidiary undertakings	320,501	-
Other debtors	297,019	199,718
Prepayments and accrued income	40,527	16,391
	658,047	216,109
Amounts falling due after more than one year and included in the debtors above are		
	2010 £	2009 £
Other debtors	78,863	-

Other debtors includes £78,863 being held by the landlord under a rent deposit deed

GAIN CAPITAL - FOREX.COM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

8 Creditors: amounts falling due within one year	2010	2009
	£	£
Bank loans and overdrafts	3,210	83,448
Trade creditors	265,151	229,842
Amounts owed to parent and fellow subsidiary undertakings	-	102,101
Corporation tax	1,653,143	515,400
Other taxes and social security costs	32,833	22,841
Accruals and deferred income	301,211	178,913
	<u>2,255,548</u>	<u>1,132,545</u>

9 Pension and other post-retirement benefit commitments **Defined contribution**

	2010	2009
	£	£
Contributions payable by the company for the year	<u>13,720</u>	<u>-</u>

10 Share capital

	2010	2009
	£	£
Allotted, called up and fully paid		
2,850,000 Ordinary shares of £1 each	<u>2,850,000</u>	<u>2,850,000</u>

11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2010	1,355,037
Profit for the year	<u>7,468,092</u>
Balance at 31 December 2010	<u>8,823,129</u>

GAIN CAPITAL - FOREX.COM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

12 Reconciliation of movements in shareholders' funds	2010	2009
	£	£
Profit for the financial year	7,468,092	1,349,508
Proceeds from issue of shares	-	2,650,000
Net addition to shareholders' funds	7,468,092	3,999,508
Opening shareholders' funds	4,205,037	205,529
Closing shareholders' funds	11,673,129	4,205,037

13 Financial commitments

At 31 December 2010 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2011

	Land and buildings	
	2010	2009
	£	£
Operating leases which expire		
Within one year	42,120	-
Between two and five years	131,439	42,120
	173,559	42,120

On 29 December 2010, the company entered into a new lease agreement for its business premises for a term of ten years with a break clause after three years and five years

14 Directors' remuneration	2010	2009
	£	£
Remuneration for qualifying services	113,500	109,672
Company pension contributions to defined contribution schemes	3,538	-
	117,038	109,672

GAIN CAPITAL - FOREX.COM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

15 Employees

Number of employees

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

	2010 Number	2009 Number
Administration	8	4
Sales	22	4
	<u>30</u>	<u>8</u>

Employment costs

	2010 £	2009 £
Wages and salaries	1,153,526	525,342
Social security costs	117,636	51,020
Other pension costs	13,720	-
	<u>1,284,882</u>	<u>576,362</u>

16 Control

The parent company is Gain Capital Holdings International, LLC, incorporated in the USA by virtue of its holding of 100% of the issued share capital

The smallest and largest group in which the results of Gain Capital- Forex com UK Limited are consolidated is that headed by Gain Capital Holding International, LLC whose principal place of business is at 135 US Highway 202/206, Suite 11, Bedminster, NJ07921

17 Related party relationships and transactions

The company's turnover with Gain Capital Holding International, LLC during the year amounted to £24,074,572 (2009 £7,681,239) At the year end, the company was owed £320,501 (2009 owed to parent company £102,101) by its parent company