

**Company Registration No. 3770004**

**Gain Capital - Forex.com UK Limited**

**Annual Report and Financial Statements**

**31 December 2015**



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# **Gain Capital - Forex.com UK Limited**

## **Report and financial statements 2015**

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# Gain Capital - Forex.com UK Limited

## Report and financial statements 2015

### Company information

|                                     |   |  |  |
|-------------------------------------|---|--|--|
| <b>Directors</b>                    | Mr M Wright<br>Mr C Sugden<br>Ms S Roady<br>Mr T O'Sullivan<br>Mr A Bobinski  |  |  |
| <b>Secretary</b>                    | Mr D Rotsztain  |  |  |
| <b>Registered Address</b>           | Park House<br>16 Finsbury Circus<br>London<br>EC2M 7EB<br>United Kingdom  |  |  |
| <b>Bankers</b>                      | Barclays Bank plc<br>1 Churchill Place<br>London<br>E14 5HP<br>United Kingdom   | The Lloyds Banking<br>Group plc<br>25 Gresham Street<br>London<br>EC2V 7HN<br>United Kingdom | JP Morgan Chase & Co<br>60 Victoria<br>Embankment<br>London<br>EC4Y 0JP<br>United Kingdom                                |
|                                     | Commerzbank AG<br>International Wealth<br>Management Germany<br>Neckarstrasse 7-9<br>60329 Frankfurt<br>Germany         | HSBC<br>26 Elmfield<br>Bromley, Kent<br>BR1 1WA<br>United Kingdom                            | Bank of America<br>Merrill Lynch<br>International Limited<br>2 King Edward Street,<br>London, EC1A 1HQ<br>United Kingdom |
| <b>Immediate Parent<br/>Company</b> | Gain Global Markets Int. BV<br>Prins Bernhardplein 200<br>1097JB<br>Amsterdam<br>The Netherlands                        |  |  |
| <b>Ultimate Parent Company</b>      | Gain Capital Holdings Inc.<br>Bedminster One, Suite 11<br>135 US Hwy 202/206<br>Bedminster<br>NJ 07921<br>United States |  |  |
| <b>Auditor</b>                      | Deloitte LLP<br>London  |  |  |

# Gain Capital - Forex.com UK Limited

## Strategic Report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### Principal activities

Gain Capital – Forex.com UK Limited (“GCUK”) is a global provider of trading services and solution, specialising in over-the-counter, or OTC markets. GCUK offers customers access to a diverse range of over 12,500 financial products, including foreign exchange or forex, precious metals, “contracts for difference”, or “CFDs”, and financial spread betting, which are investment products with returns linked to the performance of an underlying commodity, index, equity or security. The Company is authorised and regulated by the Financial Conduct Authority (“FCA”). The Company’s FCA Register Number is 190864, for details see [www.fca.gov.uk/register](http://www.fca.gov.uk/register).

The immediate parent company is Gain Global Markets International BV (“GGMI”). The ultimate parent company and controlling party is Gain Capital Holdings Incorporated (“GCH”). The smallest and largest group into which the Company is consolidated is GCH.

### Results

The profit for the year after taxation amounted to \$24.0m (2014: \$20.9m). The Profit and loss account for the period is set out on page 11.

### Business Review

Despite the decrease in revenue year on year, the performance of the business for the financial year was a significant improvement with a 14% increase in profit before tax in comparison to 2014.

The first half of the year saw volatility follow a similar pattern as prior year, with the CVIX (Chicago Board Options Exchange Market Volatility Index, which is a measure of the implied volatility of the S&P 500) gauging at historically low levels. This resulted in adverse trading conditions as markets across the majority of asset classes traded within tight ranges. Despite the significant lack of volatility, participation by clients continued during the first half of the year with trading volumes only 7% lower on the same period in 2014 whilst newly funded accounts were up 48% in the first six months of 2015 compared with the same period in 2014.

The second half of the year saw a return of volatility to financial markets as market participants continued to take advantage of attractive market conditions, resulting in an increase in activity across all asset classes and signalling a return to active market participation by clients. As a result of the return of volatility and active market conditions, client trading volumes increased 37% during the second half of 2015 compared with the same period in 2014 and the business showed continued improvement with newly funded accounts up 17% for the year in comparison to 2014.

Customer trading volumes are driven by eight main factors. Four of these factors are broad external factors outside the Company’s control and include:

- changes in the financial strength of market participants;
- economic and political conditions;
- changes in the supply, demand and volume of foreign currency transactions; and
- regulatory changes.

Many of the above factors impact the volatility of financial markets, which has generally been positively correlated with client trading volume. The Company’s customer trading volume is also affected by the following additional factors:

- the effectiveness of sales activities;
- the competitiveness of the Company’s offerings;
- the effectiveness of the customer service team; and
- the effectiveness of the marketing activities.

In order to increase customer trading volume, the Company focuses its marketing and its customer service and education activities on attracting new customers and increasing overall customer trading activity.

# Gain Capital - Forex.com UK Limited

## Strategic Report (continued)

The key performance indicators that management use in evaluating the Company's performance include:

- operating profit;
- regulatory capital; and
- client money

In light of the current level and quantity of key entrepreneurial functions performed by the Company, the Company continued to share global profits as a joint entrepreneur with the Company's ultimate parent company.

Historically, both the Company and the global group business models have been predominantly driven by retail client transactions, and the Company has continued to extend further into the institutional market. Through the GTX branded electronic communications network (ECN) banks, brokers, hedge funds and professional clients can access liquidity in FX and precious metals, through a unique centrally-cleared prime brokerage model.

On 01 April 2015, GCH, the ultimate parent company of GCUK, acquired City Index Holdings Limited ("CIHL"), the ultimate parent company of Gain Capital UK Limited (formerly known as City Index Limited), a market maker and spread-trading services provider in a variety of financial products and markets including spread-trading on equities, equity indices, precious and base metals, soft commodities, exchange rates, interest rates, exchange traded futures and options on equities, equity indices, precious and base metals, soft commodities, exchange rates, interest rates and other financial instruments.

The focus over the coming year will be the continued integration of the UK operations which is expected to deliver further significant synergy savings and alignment of the client base to improve client experience and product offering.

The results for the year and the financial position at the year-end were considered satisfactory by the directors and they are confident of improved results in the ensuing year with both client acquisition and client volumes showing continued improvements in 2016.

The Company's operating profit increased by 16% to \$30.8m (2014: \$26.6m) during the course of the year despite a 12% fall in turnover to \$202.6m (2014: \$231.3m). The direct cost decreased by 21% mainly due to reduction in referral broker commissions and trading related expenses. Administrative expenses fell 11% compared to the previous 12 months, as a result of one-off costs associated with the acquisition and initial benefit synergies arising from the integration of the GFT Global Markets UK Limited ("GFT UK") business with GCUK.

Cash deposits held by the firm increased by \$21.2m, however the Company paid a dividend of \$30.6m during the year to its ultimate parent hence resulting in a net reduction of \$9.4m to \$63.0m (2014: \$72.4m).

### Dividends

During the year, the board declared and paid a dividend of \$30.6m (2014: \$nil).

### Principal risks and uncertainties

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 backup systems and procedures and a disaster recovery programme.

### *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. In accordance with the Company's treasury policy, derivative instruments are not entered into for speculative purposes.

## Gain Capital - Forex.com UK Limited

### Strategic Report (continued)

The Company has various financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations.

#### *Liquidity risk*

In the event of a significant movement in markets, the Company could have a short-term funding requirement to meet its payment obligations to counterparties and suppliers. The level of liquidity required is influenced by the level of client activity and volatility in the markets. In the event of a cash shortfall, additional liquidity would be provided by the ultimate parent, Gain Capital Holdings Inc.

The Company's policy is to hold both its own and its clients' cash reserves with a diversified range of counterparties, each of which is a major clearing bank or a financial institution. Client money is held and accounted for in accordance with the FCA client money rules. The Company's own money is held almost entirely on demand, as it needs to be readily available to meet short-term funding requirements. Segregated client cash is also held entirely on demand.

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*

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of the Company's assets denominated in foreign currencies, as well as earnings due to the translation of the balance sheet and profit and loss from local currencies to USD. The principal currencies in which the Company trades are British Pounds, Euros and United States Dollars. This gives rise to currency risk on the translation of its net current assets together with a currency risk on the conversion of its non-United States Dollar income into United States Dollars.

Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in US Dollars.

#### *Credit risk*

The Company's trading operations require a commitment of capital and involve risk of loss because of the potential that a customer's losses may exceed the amount of cash in their account. As a result, the Company requires that each trade must be collateralized in accordance with the margin policies described below. Each customer is required to have minimum funds in their account for opening positions, which is referred to as the initial margin, and for maintaining positions, which is referred to as maintenance margin, depending on the currency pair being traded.

Margin requirements are expressed as a percentage of the customer's total position in that currency, and the customer's total margin requirement is based on the aggregate margin requirement across all of the positions that a customer holds at any one moment in time. Each net position in a particular currency pair is margined separately. Accordingly, the Company does not net across different currency pairs, thereby following a fairly conservative margin policy.

The Company's systems automatically monitor each customer's margin requirements in real time and confirm that each customer has sufficient cash collateral in his or her account before the Company executes its trades. If at any point in time a customer has "negative equity" because his or her trading position does not comply with the applicable margin requirement, the position may be automatically liquidated, partially or entirely, in accordance with the Company's margin policies and procedures. This policy protects both the Company and the customer. The incidence of negative equity in customer accounts has been immaterial to the Company's operations in the four years ended 31 December 2015, which was attributable to real-time margining and liquidation policies and procedures. The Company's margin and liquidation policies are set forth in our customer agreements.

The Company is also exposed to potential credit risk relating to the counterparties with which both client and the company's own funds are placed. The Company mitigates these risks by depositing with several of the largest financial institutions in the world. The Company sets limits for its maximum acceptable exposure to each bank to which it has credit exposure. These limits are approved by the Risk Committee.

# Gain Capital - Forex.com UK Limited

## Strategic Report (continued)

### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will impact the Company's financial statements. It is the Company's policy not to pay interest to customers on their cash balances; however on the rare occasions when customers are entitled to interest, the net interest revenue is directly affected by the spread between the short-term interest rates paid to customers on their balances and the short-term interest rates earned from re-investing their cash. These spreads can widen or narrow when interest rates change. In addition, a portion of interest income relates to customer balances on which we do not pay interest and, therefore, is directly affected by the absolute level of short-term interest rates. As a result, a portion of the Company's interest income will decline if interest rates fall, regardless of the interest rate spreads that affect the remaining portion of our interest income. Short-term interest rates are highly sensitive to factors that are beyond the Company's control, including general economic conditions and the policies of various governmental and regulatory authorities. The Company's cash and customer cash is held in cash and cash equivalents including cash at banks. The interest rates earned on these deposits and investments affects our interest revenue.

### *Market Risk*

The Company is exposed to market risk in connection with its retail trading activities. Because the Company acts as counterparty to its retail customers' transactions, it is exposed to risk on each trade that the market price of the position will decline. Accordingly, accurate and efficient management of the Company's net exposure is a high priority, and as such the Company has developed both automated and manual policies and procedures to manage its exposure. These risk-management policies and procedures are established and reviewed regularly by the Risk Committee. A key component of the Company's approach to managing market risk is that it does not initiate market positions for its own account in anticipation of future movements in the relative prices of products it offers. GCUK in addition operates as "Riskless Principal" on all trades executed by clients by offsetting each exposure to an affiliate, Gain Global Markets Bermuda Limited. In this respect, GCUK carries no exposure on any client trades.

### *Regulatory capital and regulatory risk*

The Company's activities are regulated in the United Kingdom and are subject to various regulation and legislation relating to conduct of business, technology, the provision of internet services and additionally in relation to regulatory capital. This imposes extensive reporting requirements and continuing self-assessment and appraisal.

The Company has both a Compliance Department and a Regulatory Department which are responsible for ensuring that it meets the rules of the regulators of the jurisdiction. The Company allocates a high degree of resource to risk management and seeks continually to improve its operating efficiencies and standards. The compliance officers are in regular contact with the Directors and Senior Executive Management of the immediate and ultimate parent companies.

The regulatory environment is constantly evolving and imposes significant demands on the resources of the Company. The Company continues to provide considerable resources to meet the regulatory requirements.

The Company is subject to the capital adequacy supervision requirements of the FCA and has maintained adequate levels of capital within the Company during the year. The regulatory capital structure of the Company largely comprises share capital and reserves (net of intangible assets). Capital requirements are calculated from market risk, counterparty risk, credit risk and operational risk assessments. The Company has an Internal Capital Adequacy Assessment Process ("ICAAP") as required by the FCA for establishing the appropriate amount of regulatory capital to be held. The ICAAP gives consideration to both current and projected financial and capital positions, and includes stress testing for adverse economic conditions. The ICAAP is updated regularly to reflect changes to the Company's structure and the business environment. Capital adequacy is monitored on a daily basis by management. The Company uses the standardised approach to market risk, the simplified approach to credit risk and the basic indicator approach to operational risk.

### **Research and development**

Following the acquisition by GCH of CIHL, an assessment was made of the various technology trading assets within the enlarged group, with a view to rationalising. As a result, the Company has not made any significant investment in research and development and concluded the decommissioning of surplus platforms and the write off of \$0.9m of capitalised development costs from prior year.

The Company and its ultimate parent company, GCH, continue the process of continual improvement in new technology and the Directors believe such investment is both necessary and important for the future success of the business.

## Gain Capital - Forex.com UK Limited

### Strategic Report (continued)

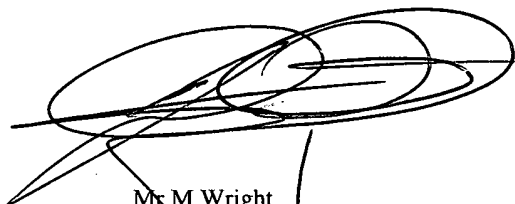
#### Future developments

The completion of the CIHL acquisition has created a global leader in online trading, and the two brands, "Forex.com" and "City Index" have equipped the group to spearhead into new territories with a more diversified product offering for the combined client base.


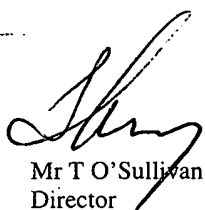
The future plans of how the two entities would operate and offer synergies in the UK and global markets continue to be a subject of constant review. The Senior Management is currently exploring various options and is in the process of finalising their plans to best align the client base with the continued high level of customer service that our clients experience and expect.

#### Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 23 to the financial statements.



Mr M Wright  
Director  
25 April 2016



Mr T O'Sullivan  
Director  
25 April 2016



## Gain Capital - Forex.com UK Limited

### Directors' Report

The Directors present their annual report on the affairs of Gain Capital-Forex.com UK Limited (the "Company" or "GCUK"), together with the financial statements and auditor's report for the year ended 31 December 2015 (the "Financial Statements").

### Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies note to the financial statements.

### Directors

The following directors have held office since 1 January 2015:

Mr M Wright  
Mr C Sugden  
Ms S Roady  
Mr T O'Sullivan  
Mr A Bobinski  
Mr M Chowdhury (resigned 31 March 2016)

### Directors and officers

The Company has Directors' and Officers' Liability insurance policies which covers all Directors.

### Auditors

Deloitte LLP have indicated their willingness to be reappointed for another term, and appropriate arrangements have been put in place for Deloitte LLP to be deemed appointed as auditors in the absence of an Annual General Meeting.

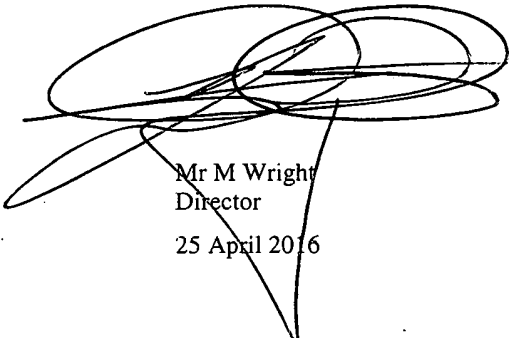
### Statement of disclosure to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

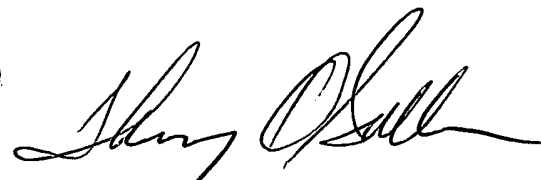
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board



Mr M Wright  
Director  
25 April 2016



Mr T O'Sullivan  
Director  
25 April 2016

## **Gain Capital - Forex.com UK Limited**

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the Annual 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; and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Note 26 provides the disclosure made in order to comply with the Capital Requirements (Country-by-Country Reporting) Regulations 2015.

## **Gain Capital - Forex.com UK Limited**

### **Independent auditor's 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 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 26. 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 auditor's 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, 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 annual report 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013**

In our opinion the information given in note 26 to the financial statements for the financial year ended 31 December 2015 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

## **Gain Capital - Forex.com UK Limited**

### **Independent auditor's report to the members of Gain Capital - Forex.com UK Limited (continued)**

#### **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.



James Polson (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
25 April 2015

## Gain Capital - Forex.com UK Limited

### Profit and loss account For the year ended 31 December 2015

|  | Notes | 2015<br>\$         | 2014<br>\$         |
|--|-------|--------------------|--------------------|
| Turnover   | 3     | 202,613,579        | 231,333,183        |
| Cost of sales  |       | (91,177,098)       | (115,089,078)      |
| <b>Gross profit</b>                                  |       | <b>111,436,481</b> | <b>116,244,105</b> |
| Administrative expenses                              |       | (79,722,809)       | (89,601,579)       |
| Loss on disposal of tangible fixed assets            | 8     | (902,200)          | -                  |
| <b>Operating profit</b>                              | 4     | <b>30,811,472</b>  | <b>26,642,526</b>  |
| Net finance (expense)/income                         | 5     | (382,818)          | 147,374            |
| <b>Profit on ordinary activities before taxation</b> |       | <b>30,428,654</b>  | <b>26,789,900</b>  |
| Tax on profit on ordinary activities                 | 6     | (6,391,381)        | (5,906,915)        |
| <b>Profit for the financial year</b>                 | 15    | <b>24,037,273</b>  | <b>20,882,985</b>  |

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

The company had no recognised gains or losses other than the profit for the current and preceding year.

Accordingly no separate statement of total recognised gains and losses is presented.

The notes on pages 13 to 29 form an integral part of the financial statements.

## Gain Capital - Forex.com UK Limited


### Balance sheet

For the year ended 31 December 2015

|   | Notes | 2015<br>\$          | 2015<br>\$               | 2014<br>\$          | 2014<br>\$               |
|---|-------|---------------------|--------------------------|---------------------|--------------------------|
| <b>Fixed assets</b>   |       |                     |                          |                     |                          |
| Investments   | 7     |                     | 13,732,437               |                     | 20,383,921               |
| Tangible assets   | 8     |                     | 241,614                  |                     | 1,897,802                |
| Intangible assets   | 9     |                     | 1,579,370                |                     | 2,590,773                |
|   |       |                     | <u>15,553,421</u>        |                     | <u>24,872,496</u>        |
| <b>Current assets</b>                                       |       |                     |                          |                     |                          |
| Debtors   |       |                     |                          |                     |                          |
| - due within one year                                       | 10    | 23,720,515          |                          | 44,014,379          |                          |
| - due after one year  | 10    |                     |                          | 30,000              |                          |
| Cash at bank and in hand                                    |       | <u>63,000,365</u>   |                          | <u>72,357,946</u>   |                          |
|   |       | 86,720,880          |                          | 116,402,325         |                          |
| <b>Creditors: Amounts falling due within one year</b>       | 11    | <u>(27,090,317)</u> |                          | <u>(52,378,674)</u> |                          |
| <b>Net current assets</b>                                   |       |                     | <u>59,630,563</u>        |                     | <u>64,023,651</u>        |
| <b>Creditors: Amounts falling due greater than one year</b> | 11    |                     | -                        |                     | (6,870,128)              |
| <b>Deferred tax asset/(liability)</b>                       | 12    |                     | <u>142,060</u>           |                     | <u>(126,848)</u>         |
| <b>Net assets</b>   |       |                     | <u><u>75,326,044</u></u> |                     | <u><u>81,899,171</u></u> |
| <b>Capital and reserves</b>                                 |       |                     |                          |                     |                          |
| Called up share capital                                     | 14    |                     | 4,138,030                |                     | 4,138,030                |
| Profit and loss account                                     | 15    |                     | <u>71,188,014</u>        |                     | <u>77,761,141</u>        |
| <b>Shareholders' funds</b>                                  | 16    |                     | <u><u>75,326,044</u></u> |                     | <u><u>81,899,171</u></u> |

The financial statements of Gain Capital-Forex.com UK Limited were approved by the Board of Directors and authorised for issue on 25 April 2016.

Signed on behalf of the Board of Directors.



Mr M Wright  
Director

Company Registration No. 3770004



Mr T O'Sullivan  
Director

# Gain Capital - Forex.com UK Limited

## Notes to the financial statements For the year ended 31 December 2015

### 1. Organisation

Gain Capital - Forex.com UK Limited (the "Company" or "GCUK") is a private limited company incorporated under number 03770004 on 13 May 1999 in the United Kingdom under the Companies Act 2006.

The address of registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 6.

The immediate parent company is Gain Global Markets International BV ("GGMI"), a company incorporated in the Netherlands. The ultimate parent company and controlling party is Gain Capital Holdings Inc. ("GCH"), a company incorporated in Delaware USA.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the provisions of the Companies Act 2006.

The significant accounting policies adopted by the Company are set out in Note 2 to the Financial Statements and have been applied consistently.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Company's FCA Register Number is 190864, for details see [www.fca.org.uk/register](http://www.fca.org.uk/register).

### 2. Accounting Policies

The Financial Statements of the Company are prepared on a historical cost basis and in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and with the provisions of the Companies Act 2006. The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied to the years presented. The Financial Statements are presented in US dollars (" \$" or "USD"), which is the Company's presentation and functional currency.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. Information on the impact of first-time adoption of FRS 102 is given in note 24. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates, as referred to below. It also requires the Company's management to exercise judgement, estimates and associated assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources in applying the Company's accounting policies.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The Company does not prepare consolidated accounts as it is a wholly-owned subsidiary of Gain, which does prepare consolidated financial statements that are publicly available

#### Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's operating cash balances increased by \$21.2m, however the Company paid a dividend of \$30.6m during the year to its ultimate parent hence resulting in a net reduction of \$9.4m to \$63.0m (2014: \$72.4m). The Company continues to be profitable with no external debt. In the event

## **Gain Capital - Forex.com UK Limited**

### **Notes to the financial statements For the year ended 31 December 2015**

#### **2. Accounting Policies – (continued)**

of any cash shortfall, the ultimate parent company, Gain Capital Holdings Inc. continues to provide access to liquidity.

Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Turnover**

The Company's revenues and profits are based on a share of global profits with the Company's ultimate parent company.

As part of the transfer pricing arrangement and in light of the increasing level and quantity of key entrepreneurial functions performed by the Company, the Company shares global profits as a joint entrepreneur with the Company's ultimate parent company.

#### **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 in which they are payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

#### **Cash and cash equivalents**

Cash consists of cash on hand and deposits repayable on demand from financial institutions that are free from contractual encumbrances. These balances exclude client monies held by the Company (see client monies accounting policy).

The Company's ultimate parent undertaking produces consolidated financial statements in which the Company is included and which are publicly available. Accordingly, the Company, which is a wholly-owned subsidiary, has elected to avail itself of the exemption provided in FRS 102 Paragraph 1.12 Cash flow statements and not present a cash flow statement. Gain Capital Forex.com UK Limited is applying the exemption from preparing consolidated accounts detailed in s401 of Companies Act 2006. The Company is a fully owned subsidiary of Gain Capital Holdings Inc. which prepares consolidated accounts in accordance with the provisions of the US GAAP.

#### **Client monies**

The Company holds money on behalf of clients in accordance with the client money rules of its regulators, where required. Client monies held in segregated bank accounts in accordance with regulations and the corresponding liabilities to these clients are not recognised in the Balance Sheet because the Company is not beneficially entitled to them. At 31 December 2015, amounts held by the company on behalf of clients in accordance with the Client Assets Rules of the Financial Conduct Authority amounted to \$166.5m (2014: \$331.2m).

#### **Dividends**

Dividends are recognised as a liability and deducted from equity at the Balance Sheet date only if they are declared and approved by shareholders before or on the Balance Sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the Balance Sheet date but before the Financial Statements are authorised for issue.



# Gain Capital - Forex.com UK Limited

## Notes to the financial statements For the year ended 31 December 2015

### 2. Accounting Policies – (continued)

#### Equity share capital

Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of external costs directly attributable to the issue. Ordinary shares and preference shares, where they share the characteristics of equity, are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

#### Foreign currency translation

Realised foreign currency transaction gains and losses are recorded in turnover in the profit and loss account during the year at the exchange rate on the date of the transaction. Unrealised foreign currency transaction gains and losses are computed using the closing rate of exchange prevailing at the date of the Balance Sheet. Gains and losses arising from these transactions are also recorded in turnover in the profit and loss account.

#### Investments in subsidiaries

Investment in subsidiaries are shown at cost less provision for impairment. Investments comprise of the equity held within the subsidiary.

Any deferred consideration at the time of the investment acquisition would be measured at its fair value and recorded as part of the investment cost, with the corresponding liabilities split between current and non-current creditors. Any future adjustments to the fair value of the creditors will be recognised through the profit and loss account until the liability is settled in full.

#### Intangible assets

Intangible assets include purchased customer lists and non-compete agreements relating to the acquisition of client balances from an established competitor and are carried at historical cost less accumulated amortisation and accumulated impairment. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on de-recognition of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the profit and loss account in the period of de-recognition. Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

|                       |                       |
|-----------------------|-----------------------|
| Non-compete agreement | 2 years straight line |
| Customer list         | 6 years straight line |

#### Tangible fixed assets

Tangible fixed assets (which include website development costs) are stated at historical cost, net of accumulated depreciation and any accumulated impairment. The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on de-recognition of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the profit and loss account in the period of de-recognition. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

|   |                       |
|---|-----------------------|
| Computer equipment                          | 3 years straight line |
| Furniture, fixtures, fittings and equipment | 3 years straight line |

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 2. Accounting policies – (continued)

##### Software development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

Software development costs

3 years straight line

##### Offsetting and netting

Financial assets and financial liabilities are only offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to set off the recognised amounts and where the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

##### Provisions

Provisions are recognised when the Company has a current legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Balance Sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### Amounts owed to parent and fellow subsidiary undertakings

Amounts owed include amounts relating to realised and unrealised gains and losses on derivatives, which are transacted with the parent for risk management purposes. The Company does not hold or issue derivative financial instruments for speculative purposes. All such amounts are included at the monetary value at the reporting date.

##### Share-based payments

The Company has applied the provisions of Financial Reporting Standard FRS 102, Section 26– Share-based Payments (“Section 26”). In accordance with the transitional provisions, Section 26 has been applied to all grants of equity instruments after 1 January 2006 that were unvested as of 31 December 2015. GCH, the ultimate parent company, issues equity settled share-based payments to certain employees of its subsidiaries, including the Company’s employees. The direct attributable expense related to the employees of the Company is then charged to the Company rather than to GCH.

Equity settled share-based payments are measured at fair value (excluding the effect of any non-market based vesting conditions) at the date of grant. The fair value determined at the date of grant of the equity settled share-based payments is expensed on a straight line basis over the vesting period, based on GCH’s estimate of shares that will eventually vest and adjusted for the effect of any market based vesting conditions. Fair value is

## **Gain Capital - Forex.com UK Limited**

### **Notes to the financial statements For the year ended 31 December 2015**

#### **2. Accounting policies – (continued)**

measured by the market quoted price. Any unamortised expense is charged to the profit and loss account if awards are cancelled or vest early.

#### **Taxation**

##### **Corporation taxes**

Corporation taxes have been provided for in the Financial Statements in accordance with the tax legislation enacted or substantively enacted by the balance sheet date in the jurisdictions in which the Company operates. Taxable profit differs from profit as reported in the Profit and Loss Account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or tax deductible. The corporation tax charge comprises current and deferred taxes and is recognised in the Profit and Loss Account. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Current tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the current tax is dealt with in equity.

##### **Deferred taxes**

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Taxes, such as non-recoverable value added taxes and betting duties are recorded within operating expenses.

#### **Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the Company's tangible and intangible assets, including investment in subsidiary. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- In respect of Provisions, determine the amount of potential liabilities arising from each potential provision and estimate the likelihood of liability, taking into account known factors from internal and external sources.

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 3. Turnover

The total turnover of the company for the year has been derived from allocations from group companies under the transfer pricing arrangement.

|  | 2015<br>\$         | 2014<br>\$         |
|--|--------------------|--------------------|
| Allocations under transfer pricing arrangement | 193,302,993        | 229,070,384        |
| Other trading income                           | 9,310,586          | 2,262,799          |
|  | <u>202,613,579</u> | <u>231,333,183</u> |

As part of the transfer pricing arrangement and in light of the increasing level and quantity of key entrepreneurial functions performed by the Company, the Company shares global profits as a joint entrepreneur with the Company's ultimate parent company.

#### 4. Operating profit

|  | 2015<br>\$ | 2014<br>\$ |
|--|------------|------------|
| Operating profit is stated after charging:   |            |            |
| Depreciation of tangible fixed assets  | 640,717    | 616,841    |
| Amortisation of intangible assets  | 1,011,403  | 1,091,211  |
| Operating leases   | 855,214    | 758,259    |
| Fees payable to the company's auditor for the audit of the company's annual accounts     | 189,370    | 210,000    |
| Fees payable to the company's auditor for other services pursuant to regulation          | 57,767     | 23,500     |
| Fees payable to the company's auditor for other services pursuant to consulting services | 10,416     | 32,105     |
|  | <u></u>    | <u></u>    |

#### 5. Net finance income

|                  | 2015<br>\$       | 2014<br>\$     |
|------------------|------------------|----------------|
| Bank interest    | 383,876          | 760,577        |
| Interest expense | (766,694)        | (613,203)      |
|                  | <u>(382,818)</u> | <u>147,374</u> |

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 6. Taxation

|   | 2015<br>\$        | 2014<br>\$        |
|---|-------------------|-------------------|
| <b>Domestic current year tax</b>  |                   |                   |
| UK corporation tax  | 6,599,947         | 5,965,610         |
| Adjustment for prior years  | 60,342            | (763,704)         |
| <b>Total current tax</b>  | <u>6,660,289</u>  | <u>5,201,906</u>  |
| <b>Deferred tax</b>   |                   |                   |
| Origination and reversal of timing differences (Note 12)  | (247,581)         | 40,915            |
| Adjustments in respect of prior periods (Note 12)   | (21,327)          | 664,095           |
| <b>Total tax charge for the year</b>  | <u>6,391,381</u>  | <u>5,906,915</u>  |
| <b>Factors affecting the current tax charge for the year</b>  |                   |                   |
| Profit on ordinary activities before taxation   | <u>30,428,654</u> | <u>26,789,900</u> |
| Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.25% (2014: 21.49%). | <u>6,188,657</u>  | <u>5,757,994</u>  |
| Effects of:   |                   |                   |
| Non deductible expenses   | 257,598           | 274,358           |
| Fixed asset timing differences  | (24,908)          | (186)             |
| Adjustments to previous periods   | 38,693            | (860,673)         |
| Other permanent differences   | 175,547           | (71,508)          |
| Other short-term timing differences   | 3,052             | 3,499             |
| Current tax (prior period) exchange difference arising on movement between opening and closing spot rates                 | 21,650            | 95,807            |
| Current tax (current period) exchange difference arising on movement between opening and closing spot rates               |                   | 2,615             |
|   | <u>471,632</u>    | <u>(556,088)</u>  |
| <b>Current tax charge for the year</b>  | <u>6,660,289</u>  | <u>5,201,906</u>  |

Finance Act 2013 enacted a reduction in the UK corporation tax rate to 20% with effect from 1 April 2015. This reduction in the tax rate impacted the current tax charge in 2015.

Finance (No.2) Act 2015 enacted reductions in the UK corporation tax rate to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. These reductions in the tax rate will impact the tax charge in future periods.

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 7. Investments

|                                     | \$          |
|-------------------------------------|-------------|
| <b>Cost</b>                         |             |
| At 1 January 2015                   | 20,383,921  |
| Reduction in the cost of investment | (6,651,484) |
|                                     | <hr/>       |
| At 31 December 2015                 | 13,732,437  |
|                                     | <hr/>       |

In 2014 the Company acquired Galvan Research and Trading Limited ("GRTL") and its affiliate businesses, Galvan LLP ("Galvan") and Faraday Research LLP ("Faraday").

GRTL is a Contract for Difference ("CFD") advisory broker, providing recommendations to clients and thereby charging premium commissions compared to "execution only" brokers. Two sister entities, Galvan and Faraday generate supplementary revenues from third party advertising to a database of investors and provide research services respectively.

The investment has been assessed for impairment, and no impairment has been deemed necessary. The reduction in the cost of investment is due to lower than expected final consideration which was settled immediately after the year end.

Deferred consideration referred to in Note 11 relates to the GRTL acquisition settled in full immediately after the year end.

#### 8. Tangible fixed assets

|                             | Computer<br>equipment<br>\$ | Furniture,<br>fixtures,<br>fittings and<br>equipment<br>\$ | Total<br>\$ |
|-----------------------------|-----------------------------|--|-------------|
| <b>Cost</b>                 |                             |  |             |
| At 1 January 2015           | 3,429,269                   | 320,743  | 3,750,012   |
| Additions                   | 8,293                       | 1,458  | 9,751       |
| Exchange adjustments        | (37,150)                    | 1,970  | (35,180)    |
| Disposals (asset write off) | (902,200)                   | -  | (902,200)   |
|                             | <hr/>                       | <hr/>  | <hr/>       |
| At 31 December 2015         | 2,498,212                   | 324,171  | 2,822,383   |
|                             | <hr/>                       | <hr/>  | <hr/>       |
| <b>Depreciation</b>         |                             |  |             |
| At 1 January 2015           | 1,532,352                   | 319,858  | 1,852,210   |
| Charge for the year         | 637,871                     | 2,846  | 640,717     |
| Exchange adjustments        | 87,842                      | -  | 87,842      |
| Disposals (asset write off) | -                           | -  | -           |
|                             | <hr/>                       | <hr/>  | <hr/>       |
| At 31 December 2015         | 2,258,065                   | 322,704  | 2,580,769   |
|                             | <hr/>                       | <hr/>  | <hr/>       |
| <b>Net book value</b>       |                             |  |             |
| At 31 December 2015         | 240,147                     | 1,467  | 241,614     |
|                             | <hr/>                       | <hr/>  | <hr/>       |
| At 31 December 2014         | 1,896,917                   | 885  | 1,897,802   |
|                             | <hr/>                       | <hr/>  | <hr/>       |

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 9. Intangible fixed assets

|  | \$        |
|--|-----------|
| <b>Cost</b>                                |           |
| At 1 January 2015, and at 31 December 2015 | 6,567,416 |
| <b>Amortisation</b>                        |           |
| At 1 January 2015                          | 3,976,643 |
| Charge for the year                        | 1,011,403 |
| At 31 December 2015                        | 4,988,046 |
| <b>Net book value</b>                      |           |
| At 31 December 2015                        | 1,579,370 |
| At 31 December 2014                        | 2,590,773 |

The intangible fixed asset is a customer list acquired from a third party in June 2011.

#### 10. Debtors

|   | 2015<br>\$        | 2014<br>\$        |
|---|-------------------|-------------------|
| Amounts falling due within one year                       |                   |                   |
| Amounts owed by parent and fellow subsidiary undertakings | 18,189,461        | 41,561,404        |
| Trade debtors   | 50,269            | 488,081           |
| Corporation tax asset                                     | 756,655           | -                 |
| Other debtors   | 3,645,736         | 1,083,779         |
| Prepayments and accrued income                            | 1,078,394         | 881,115           |
|   | <u>23,720,515</u> | <u>44,014,379</u> |
| Amounts falling due after more than one year              |                   |                   |
|   | 2015<br>\$        | 2014<br>\$        |
| Other debtors   | <u>-</u>          | <u>30,000</u>     |

Other debtors include operational funds due from segregated client bank accounts which are held as per the FCA CASS 7 rules for "Immediate Segregation"- CASS 7.13.6R and "Prudent Segregation" CASS 7.13.41R-7.13.53R. Other debtors falling due after more than one year include \$nil (2014: \$30,000) being held by a credit card processing company under a deposit agreement.

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 11. Creditors

|   | 2015<br>\$        | 2014<br>\$        |
|---|-------------------|-------------------|
| <b>Creditors: amounts falling due within one year</b>       |                   |                   |
| Trade creditors   | 3,782,678         | 26,616,873        |
| Non-trade creditors   | 5,993             | 517,599           |
| Amounts owed to parent and fellow subsidiary undertakings   | 12,987,962        | 7,283,469         |
| Corporation tax (asset)/liability                           | -                 | (259,057)         |
| Other taxes and social security costs                       | 780,821           | 724,039           |
| Accruals and deferred income                                | 7,985,646         | 14,326,533        |
| Deferred consideration                                      | 1,547,217         | 3,169,218         |
|   | <u>27,090,317</u> | <u>52,378,674</u> |
| <b>Creditors: amounts falling due greater than one year</b> |                   |                   |
| Deferred consideration                                      | -                 | 6,870,128         |
|   | <u>-</u>          | <u>6,870,128</u>  |

Deferred consideration relates to the GRTL acquisition in 2014. The deferred consideration was settled in full immediately after the year end, thus stated as an "amounts falling due within one year".

#### 12. Deferred tax

This relates to the deferred tax provided in respect of fixed asset timing differences.

|                                | 2015<br>\$     | 2014<br>\$       |
|--------------------------------|----------------|------------------|
| Fixed asset timing differences | 142,060        | (126,848)        |
| Deferred tax asset/(liability) | <u>142,060</u> | <u>(126,848)</u> |

The deferred tax liability has been calculated by reference to the tax rate of 20% (2014: 20%) that was substantively enacted at the balance sheet date.

Finance Act 2013 enacted a reduction in the UK corporation tax rate to 20% with effect from 1 April 2015. This reduction in the tax rate impacted the current tax charge in 2015.

Finance (No.2) Act 2015 enacted reductions in the UK corporation tax rate to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. These reductions in the tax rate will impact the tax charge in future periods.



## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 13. Pension and other post-retirement benefit commitments

##### Defined contribution

|   | 2015<br>\$ | 2014<br>\$ |
|---|------------|------------|
| Contributions payable by the company for the year | 238,620    | 278,636    |

#### 14. Called up share capital

|  | 2015<br>\$ | 2014<br>\$ |
|--|------------|------------|
| Allotted, called up and fully paid<br>2,850,000 ordinary shares of £1 each | 4,138,030  | 4,138,030  |

#### 15. Statement of movements on profit and loss account

|                             | Profit<br>and loss<br>account<br>\$ |
|-----------------------------|-------------------------------------|
| Balance at 1 January 2015   | 77,761,141                          |
| Profit for the year         | 24,037,273                          |
| Dividends                   | (30,610,400)                        |
| Balance at 31 December 2015 | 71,188,014                          |

#### 16. Reconciliation of movements in shareholders' funds

|   | 2015<br>\$   | 2014<br>\$ |
|---|--------------|------------|
| Profit for the financial year                   | 24,037,273   | 21,060,703 |
| Adjustment due to change in functional currency | -            | 121,516    |
| Share based payments expense                    | -            | (177,718)  |
| Net addition to shareholders' funds             | 24,037,273   | 21,004,502 |
| Dividends                                       | (30,610,400) | -          |
| Opening shareholders' funds                     | 81,899,171   | 60,894,670 |
| Closing shareholders' funds                     | 75,326,044   | 81,899,171 |

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 17. Financial commitments

Capital commitments are as follows:

|                                       | 2015 | 2014 |
|---------------------------------------|------|------|
|                                       | \$   | \$   |
| Contracted for but provided for:      |      |      |
| Other – License fee payable per annum | -    | -    |

At 31 December 2014 the company was committed to making the following payments under non-cancellable operating leases:

|                                    | Land and buildings |         |
|------------------------------------|--------------------|---------|
|                                    | 2015               | 2014    |
|                                    | \$                 | \$      |
| Operating leases which expire:     |                    |         |
| Within one year                    | -                  | 418,000 |
| Within two to five years inclusive | -                  | -       |
| Greater than five years            | -                  | -       |
|                                    | -                  | 418,000 |

The operating lease for the premises terminated in September 2015 and all related costs were settled in full before the year end. Post CIHL acquisition by the GCH group, the Company has now moved into the Park House offices of Gain Capital UK Limited.

#### 18. Directors' remuneration

|   | 2015    | 2014    |
|---|---------|---------|
|   | \$      | \$      |
| Remuneration for qualifying services                          | 879,938 | 589,068 |
| Company pension contributions to defined contribution schemes | 20,579  | 10,245  |
|   | 900,517 | 599,313 |

#### Aggregate emoluments in respect of the highest paid director

|   | 2015    | 2014    |
|---|---------|---------|
|   | \$      | \$      |
| Remuneration for qualifying services                          | 413,773 | 357,106 |
| Company pension contributions to defined contribution schemes | 9,399   | 3,654   |
|   | 423,172 | 360,760 |

On 31 December 2015, the Company's ultimate parent company issued 7,886 (2014: 9,250) restricted stock units to the Directors of the Company.

The company operates a Money Purchase Pension scheme. This is a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year in which they are payable (See note 13 for details)

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 19. Employees

##### Number of employees

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

|                               | 2015<br>No. | 2014<br>No. |
|-------------------------------|-------------|-------------|
| Management and administration | 43          | 37          |
| Sales                         | 31          | 34          |
| Dealing                       | 18          | 25          |
|                               | <u>92</u>   | <u>95</u>   |

##### Employment costs

|                       | 2015<br>\$        | 2014<br>\$        |
|-----------------------|-------------------|-------------------|
| Wages and salaries    | 30,283,135        | 27,832,357        |
| Social security costs | 1,826,155         | 2,746,625         |
| Other pension costs   | 238,620           | 278,636           |
|                       | <u>32,347,910</u> | <u>30,857,618</u> |

#### 20. Share-based payments

##### Equity-settled share option schemes

The Company has a share option scheme for all employees of the Group. On March 27, 2006, the GCHI shareholders approved the GAIN Capital Holdings, Inc. 2006 Equity Incentive Plan (the "2006 Plan"). The 2006 Plan provides for the issuance of share based award which include restricted stock units ("RSUs"), Incentive Stock Options ("ISOs"), and nonqualified stock options ("NQSOs"). All share based awards are granted at a price or conversion price determined by the Company's board of directors. Grants of stock options usually vest over three or four years upon anniversary date. RSUs usually vest over four years with one-fourth vesting upon the grant anniversary. All options granted under the 2006 Plan expire ten years from the date of grant.

On November 22, 2010, the Company's board of directors adopted the GAIN Capital Holdings, Inc. 2010 Omnibus Incentive Compensation Plan, (the "2010 Plan"), which became effective December 13, 2010 (the day immediately prior to the date the underwriting agreement was executed and the Common Stock was priced for the IPO). As of the effective date of the 2010 Plan, the 2006 Plan was merged with and into the 2010 Plan, and no additional grants will be made under the 2006 Plan. Initially, the 2010 Plan made available 7.1 million shares (1.5 million to be issued pursuant to future awards and grants under the 2010 Omnibus Incentive Compensation plan, 5.2 million shares that are subject to outstanding grants under the 2006 Plan as of the effective date of the 2010 Plan, and 0.4 million shares to be issued pursuant to the 2011 Employee Stock Purchase Plan) for awards to employees, nonemployee directors, consultants, and advisors in the form of incentive stock options, nonqualified stock options, stock awards, stock units, stock appreciation rights, and other stock-based awards.

Under the 2010 Plan, the committee will determine the exercise price of the options granted and may grant options to purchase shares of the Company's common stock in amounts as determined by the committee. The exercise price of a stock option granted under the 2010 Plan cannot be less than the fair market value of a share of the Company's common stock on the date the option is granted. All options granted under the 2010 Plan expire seven years from the date of grant

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 20. Share-based payments (continued)

Details of the share options outstanding during the year are as follows:

|  | 2015                          |   | 2014                          |   |
|--|-------------------------------|---|-------------------------------|---|
|  | Number<br>of stock<br>options | Weighted<br>average<br>grant date<br>fair value<br>(\$) | Number<br>of stock<br>options | Weighted<br>average<br>grant date<br>fair value<br>(\$) |
| Outstanding at the beginning of the period | 1,800                         | 1.44  | 2,828                         | 1.44  |
| Granted during the period                  | -                             | -   | -                             | -   |
| Forfeited during the period                | -                             | -   | -                             | -   |
| Exercised during the period                | 1,800                         | 1.44  | (1,028)                       | 1.44  |
| Expired during the period                  | -                             | -   | -                             | -   |
| Outstanding at the end of the period       | -                             | -   | 1,800                         | 1.44  |
| Exercisable at the end of the period       | -                             | -   | 1,800                         | -   |

There were 0.002 million shares exercised in 2015 and 0.001 million shares exercised in 2014. The weighted average grant date fair value for exercises in both years was \$1.44. There options outstanding at 31 December 2015 had a weighted average exercise price of \$nil (2014:\$1.44).

The inputs into the Black Scholes model are as follows:

|                                 | 2015       | 2014      |
|---------------------------------|------------|-----------|
| Weighted average exercise price | 9.51       | 9.95      |
| Expected volatility             | 49.08%     | 51.80%    |
| Expected life                   | 4.75 years | 4.8 years |
| Risk-free rate                  | 1.47%      | 1.40%     |
| Expected dividend yield         | 2.10%      | 2.00%     |

Expected volatility was determined by calculating the historical volatility of the estimated fair value of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### Restricted stock units

The Plan provides for the issuance of RSUs that are convertible on a 1:1 basis into shares of the ultimate parent, GAIN Capital Holdings, Inc.'s common stock. GAIN Capital Holdings, Inc. maintains a restricted unit account for each grantee. Restrictions typically lapse over four years, with 25% lapsing on each anniversary date of the grant. After the restrictions lapse, the grantee shall receive payment in the form of cash, shares of GAIN Capital Holdings, Inc.'s common stock, or in a combination of the two, as determined by GAIN Capital Holdings, Inc., upon a change in control of GAIN Capital Holdings, Inc. or the employee leaving the Company. GAIN Capital Holdings, Inc. may also issue performance grants which have restrictions lapsing immediately, but delivery of the common stock deferred until a later date.

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 20. Share-based payments continued

Details of the RSUs outstanding during the year are as follows:

|                                      | 2015              |   | 2014              |   |
|--------------------------------------|-------------------|---|-------------------|---|
|                                      | Number<br>of RSUs | Weighted<br>average<br>grant date<br>fair value<br>(\$) | Number<br>of RSUs | Weighted<br>average<br>grant date<br>fair value<br>(\$) |
| Outstanding at beginning of period   | 113,782           | 7.10  | 76,250            | 4.93  |
| Adjustment during the period         | (2,381)           | 7.10  | -                 | -   |
| Granted during the period            | 63,249            | 9.25  | 62,914            | 9.05  |
| Forfeited during the period          | (15,898)          | 9.24  | (2,007)           | 9.09  |
| Delivered during the period          | (37,004)          | 6.63  | (23,375)          | 5.12  |
| Outstanding at the end of the period | <u>121,748</u>    | <u>8.08</u>   | <u>113,782</u>    | <u>7.10</u>   |

The Company recognised total expenses of \$263,906 (2014: \$177,718) related to equity-settled share-based payment transactions in 2015.

#### 21. Control

The parent company is Gain Global Markets International, BV, incorporated in The Netherlands, 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 the ultimate parent company and controlling party, Gain Capital Holdings Incorporated (“GCH”), whose principal place of business is at Bedminster One, Suite 11, 135 US Hwy 202/206, Bedminster, NJ 07921, United States.

#### 22. Related party relationships and transactions

The Company is exempt from the requirement to disclose transactions with fellow wholly owned Group undertakings under Section 33 of FRS 102 Related party disclosures. There were no other related party transactions requiring disclosure.

Directors’ remuneration is disclosed in note 18. Contributions to pension schemes are disclosed in note 13.

#### 23. Post balance sheet events

The deferred consideration for the GTRL acquisition was paid in full immediately after the year end. There are no other post balance sheet events to report.

## **Gain Capital - Forex.com UK Limited**

### **Notes to the financial statements For the year ended 31 December 2015**

#### **24. First time adoption of FRS 102**

The adoption of FRS 102 resulted in no adjustments to the current or prior year end figures.

The holiday pay accrual for the current or prior year was not deemed to be material hence not reflected in the year-end financial statements.

#### **25. Contingent liabilities**

On February 16, 2012, the Company received a Letter of Claim on behalf of certain individuals who had lost money in an investment scheme operated by a third-party money management firm, incorporated in the United Kingdom, which has since been closed down by the United Kingdom's Financial Services Authority. The investment firm, Cameron Farley Ltd, had opened a corporate account with the Company and invested the individuals' money, representing such funds as its own, while operating a fraudulent scheme. Though a complaint has been filed and served on the Company, the claimants requested, and the Company agreed, to follow the United Kingdom's Pre-Action Protocol, a pre-litigation process intended to resolve matters without the need to engage in formal litigation. The Company submitted a Response to the Letter before Claim on July 4, 2012. On July 5, 2012 the Company received a substantially similar Letter of Claim on behalf of further individuals. Subsequently, the parties agreed to consolidate claims by those other similarly situated individuals with the pending Pre-Action Protocol process. The parties agreed it would be more appropriate for the proceedings to be dealt with in the Commercial Court and the matters were transferred pursuant to Consent Orders dated March 14, 2013. The Company subsequently filed an application for strike out and/or summary judgment in respect of all claims on March 15, 2013. The claimants filed an answer to the Company's motion on June 2, 2013 and subsequently the Company filed a response to this answer on July 15, 2013. A hearing was held on the Company's application for strike out and/or summary judgment on September 18 and 19, 2013. After the hearing, the judge asked the claimants to respond in writing to his additional questions from the hearing. The claimants had until October 11, 2013 to provide answers and the Company was given until November 1, 2013 to respond. On February 26, 2014, the judge denied the Company's motion for strike out and/or summary judgment. Case management conferences were held by the Court on October 17, 2014 and June 18, 2015. On August 3, 2015, the claimants filed an Amended Master Particulars of Claim, and on October 6, 2015, the Company filed an Amended Defense. The parties have completed discovery and provided disclosure on October 30, 2015. The current Court timetable provides for a trial date in the first quarter of 2017. The Company can provide no assurances that this matter will be successfully resolved. As of the date of this report, a potential loss or a potential range of loss cannot be reasonably estimated.

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2015

#### 26. Country by Country reporting

Gain Capital - Forex.com UK Limited (GCUK) is required to comply with the provisions of Statutory Instrument 2013 No.3118 Capital Requirements (Country-by-Country Reporting) Regulations 2013, which implements in the UK the requirements set out in Article 89 of the Capital Requirements Directive (Directive 2013/36/EU).

In order to comply with this requirement GCUK is publishing the following information, which has been subject to independent assurance, for the year ended 31 December 2015:

GCUK is a global provider of trading services and solution, specialising in over-the-counter, or OTC markets. GCUK offers customers access to a diverse range of over 12,500 financial products, including foreign exchange or forex, precious metals, "contracts for difference", or "CFDs", and financial spread betting, which are investment products with returns linked to the performance of an underlying commodity, index, equity or security. These services are operated out of the following Geographical locations:

| Establishment  | Legal Entity                  | Trading As     |
|----------------|-------------------------------|----------------|
| United Kingdom | Gain Capital Forex.com UK Ltd | Forex.com, GTX |

#### *United Kingdom*

|                              |         |
|------------------------------|---------|
| Number of Employees          | 92      |
| Turnover (US \$000)          | 202,614 |
| Pre-tax profit (US \$000)    | 30,429  |
| Corporation Tax Paid (\$000) | 6,263   |
| Public Subsidies Received    | -       |

GCUK has a subsidiary, Galvan Research and Trading Limited, which is regulated by the FCA. The CBCR disclosures for Galvan Research and Trading Limited are not included in the CBCR disclosures of GCUK but will be included in Galvan's financial statements.