

**Company Registration No. 03770004**

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

**Annual Report and Financial Statements**

**31 December 2016**

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*Gain Capital - Forex.com UK Limited  
Annual Report and financial statements  
For the year ended 31 December 2016*

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*Gain Capital - Forex.com UK Limited  
Annual Report and financial statements  
For the year ended 31 December 2016*

<b>Directors</b>	Mr N Rose Mr C Sugden Ms S Roady Mr T O'Sullivan Mr A Bobinski		
<b>Secretary</b>	Mr D Rotsztain		
<b>Registered Address</b>	Park House 16 Finsbury Circus London EC2M 7EB United Kingdom		
<b>Bankers</b>	Barclays Bank plc 1 Churchill Place London E14 5HP United Kingdom	The Lloyds Banking Group plc 25 Gresham Street London EC2V 7HN United Kingdom	JP Morgan Chase & Co 60 Victoria Embankment London EC4Y 0JP United Kingdom
	Commerzbank AG International Wealth Management (Germany) Neckarstrasse 7-9 60329 Frankfurt Germany	HSBC 26 Elmfield Bromley, Kent BR1 1WA United Kingdom	Bank of America Merrill Lynch International Limited 2 King Edward Street, London, EC1A 1HQ United Kingdom
<b>Immediate Parent Company</b>	Gain Global Markets Int. BV Prins Bernhardplein 200 1097JB Amsterdam The Netherlands		
<b>Ultimate Parent Company</b>	Gain Capital Holdings Inc. Bedminster One, Suite 11 135 US Hwy 202/206 Bedminster NJ 07921 United States		
<b>Auditor</b>	KPMG LLP 15 Canada Square London E14 5GL United Kingdom		

## **Strategic Report**

Gain Capital – Forex.com UK Limited (“GCUK”) is a global provider of trading services and solutions, 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 loss for the year after taxation amounted to \$3.2m (2015: profit of \$24m).

### **Business Review**

GCUK achieved its main objective in 2016 being the integration of the UK operations to deliver significant synergy savings and improve the client experience and product offering through the alignment of the client base.

In order to achieve these savings, clients who traded on the Dealbook platform were migrated to the G2 platform hosted by Gain Capital UK Limited (“GCUK2”), in tranches during 2015 and 2016. The final client migration was successfully completed in March 2016 and the Dealbook platform was subsequently decommissioned.

In August 2016, the entirety of the client base trading on the FTP platform, together with the platform itself, was successfully migrated to Gain Capital UK Limited to align the UK client base under a single entity in accordance with the integration plan. As part of these migrations, all segregated client money balances were transferred to equivalent segregated accounts held by Gain Capital UK Limited.

Cash at bank decreased during the year from USD 63.0m to USD 13.7m due to the payment of a dividend and repayment of inter-group loans.

The intangible asset, representing the customer list, was transferred to Gain Capital UK Limited in October 2016. The Directors reviewed the carrying value of the tangible fixed assets during the year and determined that there was no recoverable cost associated with these assets following the integration. As a result, the carrying value of the tangible fixed assets was written down to nil in June 2016, resulting in a loss of USD 40k.

### **Financial Key Performance Indicators**

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

- Operating Profit \$11,655,154 (2015: \$30,811,472)
- Net Assets \$29,667,202 (2015: \$75,326,044)

#### *Operating Profit*

This is viewed by the Board as a measure of activity. Since the business ceased to trade in August 2016 this will cease to be a significant indicator of performance.

#### *Net Assets*

The Board recognises the need to ensure that the Company has sufficient liquidity to meet its operational and regulatory objectives.

## **Strategic Report (continued)**

### **Dividends**

During the year, the board declared and paid a dividend of \$42.4m (2015: \$30.6m).

### **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.

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.

## **Strategic Report (continued)**

### *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 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.

### *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.

**Strategic Report (continued)**

*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.

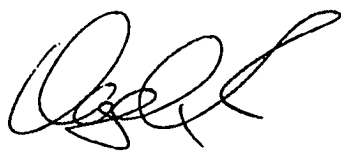
The Company has both a Compliance Department and a Regulatory Department which are responsible for ensuring that it meets the rules of the regulators of the jurisdiction. The Company allocates a high degree of resource to risk management and seeks continually to improve its operating efficiencies and 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.

**Future developments**

Since the company ceased to trade in August 2016 the Directors' focus for the coming year is to return its licences to the FCA and to realise the remaining net assets held on balance sheet. The financial statements have been prepared on a going concern basis.



Mr N Rose  
Director

28/4/17



Mr T O'Sullivan  
Director

## **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 2016 (the "Financial Statements").

### **Going Concern**

On the basis of the Company directors' assessment of the Company's financial position following cessation of trade and of the enquiries made by them of the ultimate parent Company and its confirmation to provide ongoing financial support to the Company, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

### **Directors**

The following directors have held office during 2016:

Mr N Rose (appointed 27 June 2016)

Mr C Sugden

Ms S Roady

Mr T O'Sullivan

Mr A Bobinski

Mr M Wright (resigned 30 June 2016)

Mr M Chowdhury (resigned 17 May 2016)

### **Directors and officers**

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

### **Political contributions**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

### **Disclosure of information to auditor**

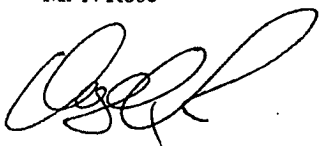
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

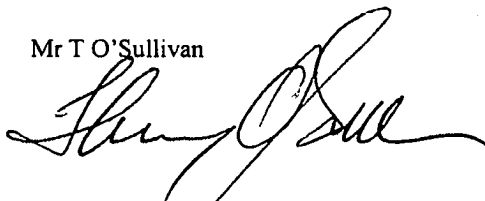
Mr N Rose



Director

28/4/17

Mr T O'Sullivan



Director



**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **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 2016 set out on pages 10 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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 set out on page 7, 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Basis for qualified opinion on financial statements**

\$13m of the company's recorded turnover comprises revenue generated from Dealbook, one of the trading platforms that was decommissioned early in the year. There was no system of control over such revenue on which we could rely for the purpose of our audit and there were no other satisfactory audit procedures that we could adopt to confirm that revenue generated from Dealbook were properly recorded.

### **Qualified opinion on financial statements**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2016.

In our opinion, except for the possible effect of the matter described in the basis for qualified opinion on financial statements paragraph, the financial statements:

- give a true and fair view of the company's loss for the year ended 31 December 2016;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**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.



**Matthew Davies (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
15 Canada Square  
London E14 5GL

**28 April 2017**

*Gain Capital - Forex.com UK Limited*  
*Annual Report and financial statements*  
*For the year ended 31 December 2016*

## **Profit and Loss account and Other Comprehensive income**

*For the year ended 31 December 2016*

	<i>Notes</i>	<i>2016</i> <b>\$</b>	<i>2015</i> <b>\$</b>
<b>Turnover</b>	2	61,357,196	202,613,579
Cost of sales		(22,153,797)	(91,177,098)
<b>Gross profit</b>		<u>39,203,399</u>	<u>111,436,481</u>
Administrative expenses		(27,548,245)	(80,625,009)
<b>Operating profit</b>	3	11,655,154	30,811,472
Amounts written off investments	6	(11,290,000)	-
Net finance income/(expense)	4	166,979	(382,818)
<b>Profit on ordinary activities before taxation</b>		<u>532,133</u>	<u>30,428,654</u>
Tax on profit on ordinary activities	5	(3,773,975)	(6,391,381)
<b>(Loss)/Profit and Total comprehensive income for the year</b>		<u><u>(3,241,842)</u></u>	<u><u>24,037,273</u></u>

The notes of pages 13 to 26 form and integral part of these financial statements

*Gain Capital - Forex.com UK Limited  
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**Balance Sheet as at 31 December 2016**

	Notes	2016 \$	2016 \$	2015 \$	2015 \$
<b>Fixed assets</b>					
Investments	6		2,442,437		13,732,437
Tangible assets	7		-		241,614
Intangible assets	8		-		1,579,370
			<u>2,442,437</u>		<u>15,553,421</u>
<b>Current assets</b>					
Debtors					
- due within one year	9	14,967,221		23,720,515	
Cash at bank and in hand		<u>13,744,677</u>		<u>63,000,365</u>	
		28,711,898		86,720,880	
<b>Creditors: Amounts falling due within one year</b>	10	<u>(1,487,133)</u>		<u>(27,090,317)</u>	
<b>Net current assets</b>			<u>27,224,765</u>		<u>59,630,563</u>
<b>Deferred tax asset/(liability)</b>	11		-		142,060
<b>Net assets</b>			<u>29,667,202</u>		<u>75,326,044</u>
<b>Capital and reserves</b>					
Called up share capital	12		4,138,030		4,138,030
Profit and loss account			<u>25,529,172</u>		<u>71,188,014</u>
<b>Shareholders' funds</b>			<u>29,667,202</u>		<u>75,326,044</u>

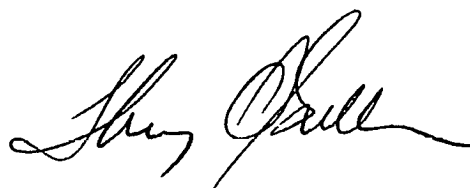
The notes of pages 13 to 26 form an integral part of these financial statements

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

Signed on behalf of the Board of Directors.



Mr N Rose  
Director



Mr T O'Sullivan  
Director

Company Registration No. 03770004

28/4/17

*Gain Capital - Forex.com UK Limited  
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## Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	\$	\$	\$
Balance at 1 January 2016	4,138,030	71,188,014	75,326,044
<b>Total comprehensive loss for the period</b>	-	(3,241,842)	(3,241,842)
Dividends	-	(42,417,000)	(42,417,000)
<b>Balance at 31 December 2016</b>	<b><u>4,138,030</u></b>	<b><u>25,529,172</u></b>	<b><u>29,667,202</u></b>

	Called up Share capital	Profit and loss account	Total equity
	\$	\$	\$
Balance at 1 January 2015	4,138,030	77,761,141	75,326,044
<b>Total comprehensive income for the period</b>	-	24,037,273	24,037,273
Dividends	-	(30,610,400)	(30,610,400)
<b>Balance at 31 December 2015</b>	<b><u>4,138,030</u></b>	<b><u>71,188,014</u></b>	<b><u>75,326,044</u></b>

The notes of pages 13 to 26 form an integral part of these financial statements

## **Notes (forming part of the financial statements)**

### **1. Accounting Policies**

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest \$1.

The Company's ultimate parent undertaking, Gain Capital Holdings Inc. (a Company incorporated in the United States of America) includes the Company in its consolidated financial statements. The consolidated financial statements of Gain Capital Holdings Inc. are prepared in accordance with US Generally Accepted Accounting Principles and may be obtained from the Investor relations website which can be found at [ir.gaincapital.com](http://ir.gaincapital.com). In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Gain Capital Holdings Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note

#### **1.1 Measurement convention**

The financial statements are prepared on the historical cost basis.

#### **1.2 Going concern**

On the basis of the Company directors' assessment of the Company's financial position as set out in the Strategic report and having ceased to trade in August 2016 and of the enquiries made by them of the ultimate parent Company and its confirmation to provide ongoing financial support, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

**Notes (continued)**

**1. Accounting Policies (continued)**

**1.3 Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency (United States Dollar) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

On 1 January 2014 the Company changed its functional currency and presentational currency from British Pound ("GBP") to US dollars ("USD"). The gains and losses arising from the conversion of the functional currency from GBP to USD on the brought forward balances as of that date were recognised through a foreign exchange translation reserve which forms part of the profit and loss account on the Balance sheet.

**1.4 Basic financial instruments**

*Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. These balances exclude client monies held by the Company.

*Client Money*

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 2016, amounts held by the Company on behalf of clients in accordance with the Client Assets Rules of the Financial Conduct Authority amounted to \$nil (2015: \$166.5m).

*Investments in subsidiaries*

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.



## **Notes (continued)**

### **1. Accounting Policies (continued)**

#### **1.5 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Computer equipment    3 years
- Fixtures and fittings    3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

#### **1.6 Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

#### **1.7 Impairment**

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## **Notes (continued)**

### **1. Accounting Policies (continued)**

#### **1.7 Impairment (continued)**

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

#### **1.8 Employee benefits**

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Holiday Pay*

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.

##### *Share-based payment transactions*

Where the Company is part of a group share-based payment plan, it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The Company recognises the share based payment expense based on an allocation of its share of the group's total expense calculated in proportion to the number of participating employees and their share allocation. The corresponding credit is recognised in retained earnings as a component of equity. Where the Company is charged for the cost of share based payments arrangements the amounts are treated as a reduction in the capital contribution. If the amount charged is in excess of the share based payment charge the Company treats the excess as a notional distribution and charges this to retained earnings.

## **Notes (continued)**

### **1. Accounting Policies (continued)**

#### **1.9 Turnover**

##### *Revenue*

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 with the Company's ultimate parent company.

#### **1.10 Expenses**

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## **Notes (continued)**

### **1. Accounting Policies (continued)**

#### **1.11 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

#### **1.12 Intangible Assets**

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense incurred.

Other 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

## Notes (continued)

### 2. Turnover

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

	2016 \$	2015 \$
Allocations under transfer pricing arrangement	60,764,058	193,302,993
Other trading income	593,138	9,310,586
	<u>61,357,196</u>	<u>202,613,579</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 with the Company's ultimate parent company.

### 3. Operating profit

	2016 \$	2015 \$
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	201,439	640,717
Amortisation of intangible assets	688,404	1,011,403
Loss on disposal of fixed assets	40,116	902,200
Operating leases	13,116	855,214
	<u>                    </u>	<u>                    </u>

#### *Auditor's remuneration:*

Amounts receivable by the company's auditor and its associates in respect of:

	2016 \$	2015 \$
Audit of these financial statements	65,400	189,370
Audit related assurance services	53,075	57,767
Other assurance services	14,575	10,416

**Notes (continued)**

**4. Net finance income**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Bank interest	284,089	383,876
Interest expense	(117,110)	(766,694)
	<u>166,979</u>	<u>(382,818)</u>

**5. Taxation**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Domestic current year tax</b>		
UK corporation tax	3,653,940	6,599,947
Adjustment for prior years	(21,856)	60,342
<b>Total current tax</b>	<u>3,632,084</u>	<u>6,660,289</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	141,891	(247,581)
Adjustments in respect of prior periods	-	(21,327)
<b>Total tax charge for the year</b>	<u>3,773,975</u>	<u>6,391,381</u>

**Factors affecting the current tax charge for the year**

Profit on ordinary activities before taxation	<u>532,133</u>	<u>30,428,654</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2015: 20.25%).	106,427	6,188,657
Effects of:		
Non deductible expenses	3,024,341	433,145
Short term timing differences	-	(290,764)
Under /(over) provided in prior periods	(21,856)	38,693
Current tax (current period) exchange difference arising on movement between opening and closing spot rates	665,063	21,650
<b>Total tax charge for the year</b>	<u>3,773,975</u>	<u>6,391,381</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31<sup>st</sup> December 2016 has been calculated based on these rates.

## Notes (continued)

### 6. Investments

	\$
<b>Cost</b>	
At 1 January 2016	13,732,437
Impairment	(11,290,000)
	<hr/>
At 31 December 2016	2,442,437
	<hr/>

In 2014 the Company acquired Trade Facts Limited (formerly Galvan Research and Trading Limited), a company incorporated in the United Kingdom, whose registered office is Park House, 16 Finsbury Circus, London EC2M 7EB. At the end of the period the Company undertook an impairment review and determined that its value should be written down to its net realisable value. The impairment review was based on a review of the present value of future economic cash flows. An impairment of \$11,290,000 was recognised in the income statement for the year.

### 7. Tangible fixed assets

	Computer equipment \$	Furniture, fixtures, fittings and equipment \$	Total \$
<b>Cost</b>			
At 1 January 2016	2,498,212	324,171	2,822,383
Additions	-	-	-
Exchange adjustments	-	-	-
Disposals (asset write off)	(2,498,212)	(324,171)	(2,822,383)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2016	2,258,065	322,704	2,580,769
Charge for the year	201,066	374	201,439
Exchange adjustments	-	-	-
Disposals (asset write off)	(2,459,131)	(323,078)	(2,782,208)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2016	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2015	240,147	1,467	241,614
	<hr/>	<hr/>	<hr/>

**Notes (continued)**

**8. Intangible fixed assets**

	\$
<b>Cost</b>	
At 1 January 2016	6,567,417
Disposals	(6,567,417)
	<hr/>
At 31 December 2016	-
	<hr/>
<b>Amortisation</b>	
At 1 January 2016	4,988,046
Charge for the year	(688,404)
Disposals	(4,299,642)
	<hr/>
At 31 December 2016	-
	<hr/>
<b>Net book value</b>	
At 31 December 2016	-
	<hr/>
At 31 December 2015	1,579,370
	<hr/>

In April 2011, the Company acquired customer account balances and customer agreements from Deutsche Bank AG, relating to Deutsche Bank's "dbFX" business

**9. Debtors**

	2016 \$	2015 \$
Amounts owed by parent and fellow subsidiary undertakings	14,526,137	18,189,461
Trade debtors	-	50,269
Corporation tax receivable	-	756,655
Other debtors	441,084	3,645,736
Prepayments and accrued income	-	1,078,394
	<hr/>	<hr/>
Amounts falling due within one year	14,967,221	23,720,515
	<hr/>	<hr/>



**Notes (continued)**

**10. Creditors**

	2016	2015
	\$	\$
<b>Creditors: amounts falling due within one year</b>		
Trade creditors	-	3,782,678
Non-trade creditors	-	5,993
Amounts owed to parent and fellow subsidiary undertakings	-	12,987,962
Corporation tax (asset)/liability	1,404,998	-
Other taxes and social security costs	34,762	780,821
Accruals and deferred income	47,373	7,985,646
Deferred consideration	-	1,547,217
	<u>1,487,133</u>	<u>27,090,317</u>

**11. Deferred tax**

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

	2016	2015
	\$	\$
Accelerated capital allowances	-	142,060
Deferred tax asset	-	142,060
	<u>-</u>	<u>142,060</u>

**12. Called up share capital**

	2016	2015
	\$	\$
<b>Allotted, called up and fully paid</b>		
2,850,000 ordinary shares of £1 each	<u>4,138,030</u>	<u>4,138,030</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

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

**Defined contribution**

	2016	2015
	\$	\$
Contributions payable by the Company for the year	<u>95,838</u>	<u>238,620</u>

**Notes (continued)**

**14. Directors' remuneration**

	2016	2015
	\$	\$
Remuneration for qualifying services	492,679	879,938
Company pension contributions to defined contribution schemes	7,047	20,579
	<u>499,726</u>	<u>900,517</u>

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

	2016	2015
	\$	\$
Remuneration for qualifying services	212,453	413,773
Company pension contributions to defined contribution schemes	-	9,399
	<u>212,453</u>	<u>423,172</u>

No directors exercised any share options in the year.

**15. Employees**

**Number of employees**

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

	2016	2015
	No.	No.
Management and administration	51	43
Sales	10	31
Dealing	8	18
	<u>69</u>	<u>92</u>

## Notes (continued)

### 15. Employees (continued)

#### Employment costs

	2016 \$	2015 \$
Wages and salaries	11,266,830	30,283,135
Social security costs	380,728	1,826,155
Other pension costs	95,838	238,620
	<u>11,743,396</u>	<u>32,347,910</u>

### 16. Share-based payments

#### Equity-settled share option schemes

Under the Company's 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.

#### 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.

The Company recognised total expenses of \$183,558 (2015: \$263,906) related to equity-settled share-based payment transactions in 2016.

### 17. 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.

## Notes (continued)

### 18. 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.

	Receivables outstanding 2016 \$	2015 \$	Creditors outstanding 2016 \$	2015 \$
<i>Entities with control, joint control or significant influence</i>	23,789	127,577	-	12,722,662
<i>Entities over which Company has control, joint control or significant influence (subject to wholly owned exemption)</i>	-	(3,555,248)	-	-
<i>Other related parties</i>	14,502,348	21,617,132	-	265,300
Total related party balances	<u>14,526,137</u>	<u>18,189,461</u>	-	<u>12,987,962</u>

### 19. Post balance sheet events

There are no post balance sheet events to report.

### 20. 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. On April 28, 2016, the parties entered into a Settlement Agreement in which the Company agreed to make a one-time settlement payment in exchange for a full and final settlement of all claims. The settlement amount, net of anticipated insurance recoveries, totalled approximately \$9.4 million and was paid by the Company's ultimate parent company. As at 31 December 2016 there are no outstanding contingent liabilities.

### 21. Accounting estimates and judgements

#### *Key sources of estimation uncertainty*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

#### *Impairment of Investments*

In determining whether the Company's investment in subsidiary is impaired factors have been taken into consideration such as the economic viability and expected future financial performance of the subsidiary. See note 6.