

**Company Registration No. 3770004**

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

**Annual Report and Financial Statements**

**31 December 2013**

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

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

### **Report and financial statements 2013**

#### **Company information**

##### **Directors**

Mr M Wright  
Mr C Sugden  
Ms S Roady  
Mr T O'Sullivan  
Mr A Bobinski  
Mr K O'Brien (resigned 27 February 2013)  
Mr M Chowdhury

##### **Secretary**

Prettys Secretarial Services Limited  
Elm House  
25 Elm Street  
Ipswich  
IP1 2AD

##### **Registered Office**

34th Floor (CGC 34-03)  
25 Canada Square London  
E14 5LQ

##### **Business Address**

34th Floor (CGC 34-03)  
25 Canada Square London  
E14 5LQ

##### **Bankers**

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP  
United Kingdom

The Lloyds Banking Group plc  
25 Gresham Street  
London  
EC2V 7HN  
United Kingdom

The Royal Bank of Scotland plc  
250 Bishopsgate  
London  
EC2M 4RB  
United Kingdom

JP Morgan Chase & Co  
60 Victoria Embankment  
London  
EC4Y 0JP  
United Kingdom

HSBC  
26 Elmfield  
Bromley, Kent  
BR1 1WA  
United Kingdom

National Australia Bank  
Level 3  
255 George Street  
Sydney  
Australia

##### **Immediate Parent Company**

Gain Global Markets Int. BV  
Prins Bernhardplein 200  
1097JB  
Amsterdam  
The Netherlands

##### **Ultimate Parent Company**

Gain Capital Holdings Inc.  
Bedminster One, Suite 11  
135 US Hwy 202/206  
Bedminster  
NJ 07921  
United States

##### **Auditor**

Deloitte LLP  
London

## Gain Capital - Forex.com UK Limited

### Strategic Report

#### Principal activities

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

The 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 GGMI.

#### Business Review

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.

In the year ended 31 December 2013, the company experienced a return to periods of high volatility and market movements in reaction to various market conditions in comparison to the relatively stagnant conditions of 2012. The first 2 quarters of the year saw volatility levels at the higher end as a result of the rise in all major currency pairs and major equity indexes, from the consistent trading ranges seen towards the end of 2012. Volatility continued into June and after the traditionally quiet summer months returned throughout the third and fourth quarters 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 following the period of heightened market uncertainty and tight trading ranges across all asset classes in 2012.

As a result of the return of volatility and active market conditions, client trading volumes increased 27% during the year and the business showed continued improvement with opened accounts up 25% on the previous year and funded accounts up 27% on the previous year. Traded accounts were also up 26% on the previous year whilst initial client deposit events increased 14% as the favourable market conditions continued to attract new clients to participate and fund their newly opened trading accounts.

Customer trading volumes are driven by ten main factors. Six of these factors are broad external factors outside of the Company's control that generally impact the market for forex trading, as well as customer trading volumes, and include:

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

Many of the above factors impact the volatility of foreign currency rates, which has generally been positively correlated with forex 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 Forex.com offerings;
- the effectiveness of the customer service team; and

## Gain Capital - Forex.com UK Limited

- 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.

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

- operating profit;
- regulatory capital; and
- client deposits.

Both FX and CFDs continues to perform well, and the Company continues to increase the number of non-FX products offered to its clients as well as diversifying its revenue streams away from the traditional retail FX offering.

The Company's revenues and profits are based on a profit sharing agreement with its ultimate parent company and is remunerated for providing services to the global group.

Both the Company and the global group business model has been predominantly driven by business to client transactions, and the Company has continued to extend further into the business to business market. Through the GTX branded electronic network (ENC), the Company has been able to offer its institutional customers electronic execution services, providing access to markets and self directed trading via the electronic agency based platform.

In addition to the Company's objective of increasing direct customer acquisition, the indirect channel also provides a valuable source of client pipeline through the Company's relationship with introducing brokers. This continues to be a valuable and significant contribution to customer account acquisition and trading volumes with indirect clients now accounting for 46% of total actively traded accounts and trading volumes through indirectly sourced clients accounting for approximately 48% of total client trading volumes.

The Company's financial performance has improved significantly during the course of the year with turnover rising 91% to £79,558,601 (2012: £41,746,723) as a result of an increase in net fee income received for providing services to the global group.

Cash deposits held by the firm increased by £8.9m to £14,999,542 (2012: £6,112,157) due to payments received from affiliate firms for related party transactions as well as cash generated from client trading activity.

In addition the Company held, as detailed in note 1 to the Financial Statements, £88,397,960 (2012: £92,206,485) in segregated client money accounts. Client money is not recognised on the balance sheet, but is held on trust by us and can be utilised by clients to cover subsequent position losses or margin for new trades.

The profit for the financial year of £13,194,024 (2012: £5,652,352) is higher than the prior year due primarily to an increase in net fee income received from affiliate companies for the provision of services to the group. The operating profit was £17,045,885 (2012: £7,238,571).

### 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.

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

The Company has various financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. In accordance with the Company's treasury policy, derivative instruments are not entered into for speculative purposes.

### *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. Any failure by the Company to meet its payment obligations could result in market counterparties closing the Company's hedge positions, which would have materially adverse consequences for the Company's business. 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 GBP. 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-British Pounds income into British Pounds. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling.

### *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 confirms that each customer has sufficient cash collateral in his or her account before the Company executes their 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 three years ended 31 December 2013, which the Company believes 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 hedge trades are placed and the financial institutions with which cash is deposited. The Company mitigates these risks by transacting with several of the largest financial institutions in the world. In the event that access to one or more financial institutions becomes limited, the ability to hedge may be impaired. The Company sets limits for its maximum acceptable exposure to each market counterparty and bank to which it has credit exposure. These limits are approved by the Risk Committee.

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

### *Interest risk*

Interest rate risk arises from the possibility that changes in interest rates will impact the Company's financial statements. 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. The risk-management policies require quantitative analyses by currency pair, as well as assessment of a range of market inputs, including trade size, dealing rate, customer margin and market liquidity. The Company's risk-management procedures require its traders to monitor risk exposure on a continuous basis and update senior management both informally over the course of the trading day and formally through intraday and end of day reporting. 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 Principle" on currency trades executed by clients by offsetting each exposure to its ultimate parent Gain Capital Holdings Inc. In this respect, GCUK carries no exposure on currency trades, but will still act as counterparty to the client trade on all other asset classes.

### *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 Capital 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.

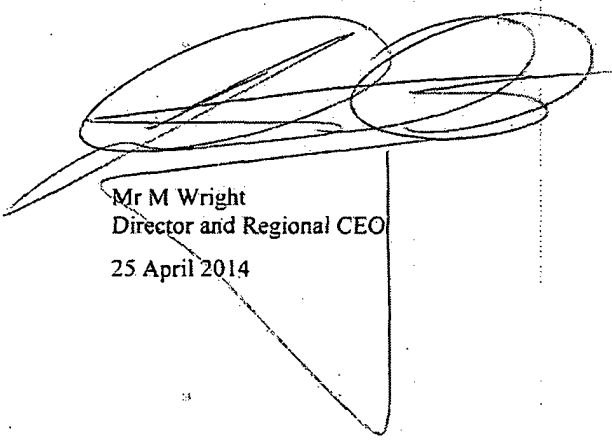
The Company is subject to the capital adequacy supervision requirements of the FCA and has maintained adequate levels of capital within the Company during the year. The regulatory capital structure of the Company largely comprises share capital and reserves (net of intangible assets). Capital requirements 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, at least annually, 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.

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

### **Research and development**

Significant effort and investment continues to be made in all areas of technology, particularly in the development of new trading platforms. Following the acquisition by GCH of Global Futures and Forex Limited, 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 commenced the decommissioning of surplus platforms.

The Company continues 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. Costs associated with the development of the platform have been capitalised as software in accordance with FRS 15.



Mr M Wright  
Director and Regional CEO

25 April 2014



## **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 2013 (the "Financial Statements").

### **Results**

The profit for the year after taxation amounted to £13,194,024 (2012: £5,652,352). The Profit and Loss Account for the year is set out on page 12.

The Directors do not recommend that any dividend be declared in respect of the year (2012: £nil).

### **Research and development**

Significant effort and investment continues to be made in all areas of technology, particularly in the development of new trading platforms. A major FX and CFD systems upgrade was successfully released during the year, which included a redesigned website with enhanced functionality. Subsequent to the launch of this release considerable resource has been directed to improving aspects of stability and performance. This is a process of continual improvement and the Directors believe such investment is both necessary and important for the future success of the business. Costs associated with the development of the platform have been capitalised as software in accordance with FRS 15.

### **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 and officers**

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

### **Post balance sheet events**

On the 1st March 2014, GFT Global Markets UK Limited, a UK based subsidiary of Global Futures and Forex Limited transferred its business and operations to GCUK. This follows the acquisition on the 24<sup>th</sup> September 2013 by Gain Capital Holdings Inc, the ultimate parent of GCUK, of Global Futures and Forex Limited, a global company providing market making services in spot foreign exchange, contracts for difference, financial spread betting, FX Options, binary bets and binary CFDs.

### **Future developments**

There are no matters to report.

### **Directors**

The following directors have held office since 1 January 2013, except as noted:

Mr M Wright  
Mr C Sugden  
Ms S Roady  
Mr T O'Sullivan  
Mr A Bobinski  
Mr K O'Brien (resigned 27 February 2013)  
Mr M Chowdhury

## Gain Capital - Forex.com UK Limited

### Auditor

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.

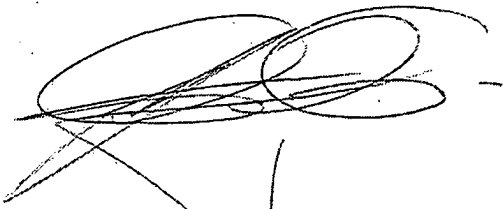
### Statement of disclosure to auditor

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 and Regional CEO



Mr M Chowdhury  
Director and Regional Finance Director

## **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.

## **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 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. 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 2013 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

**Matters on which we are required to report by exception**

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

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



Fiona Walker ACA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
25 April 2014

## Gain Capital - Forex.com UK Limited

### Profit and loss account

For the year ended 31 December 2013

	Notes	2013 £	2012 £
Turnover	2	79,558,601	41,746,723
Cost of sales		(25,743,614)	(18,183,943)
Gross profit		53,814,987	23,562,780
Administrative expenses		(35,880,713)	(16,324,209)
Loss on disposal of tangible fixed assets	7	(888,389)	-
Operating profit	3	17,045,885	7,238,571
Other interest receivable and similar income	4	311,592	232,107
Profit on ordinary activities before taxation		17,357,477	7,470,678
Tax on profit on ordinary activities	6	(4,163,453)	(1,818,326)
Profit for the year	14	13,194,024	5,652,352

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.

# Gain Capital - Forex.com UK Limited

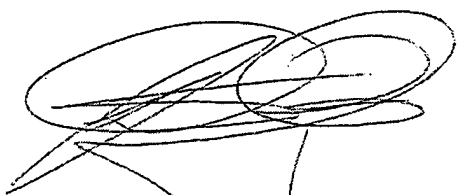
## Balance Sheet

As at 31 December 2013

	Notes	2013 £	2013 £	2012 £	2012 £
<b>Fixed assets</b>					
Tangible assets	7		1,093,425		2,257,897
Intangible assets	8		2,223,434		3,081,012
			<u>3,316,859</u>		<u>5,338,909</u>
<b>Current assets</b>					
Debtors					
- due within one year	9	33,740,551		21,790,689	
- due after one year	9	6,368		85,231	
Cash at bank and in hand		14,999,542		6,112,157	
		<u>48,746,461</u>		<u>27,988,077</u>	
<b>Creditors: Amounts falling due within one year</b>	10				
			<u>(15,633,497)</u>	<u>(9,292,800)</u>	
<b>Net current assets</b>			<u>33,112,964</u>	<u>18,695,277</u>	
<b>Deferred tax asset/(liability)</b>	11		<u>349,133</u>	<u>(508,837)</u>	
<b>Total assets less current liabilities</b>			<u>36,778,956</u>	<u>23,525,349</u>	
<b>Capital and reserves</b>					
Called up share capital	13.		2,850,000		2,850,000
Profit and loss account	14		33,928,956		20,675,349
<b>Shareholders' funds</b>	15		<u>36,778,956</u>	<u>23,525,349</u>	

The financial statements of Gain Capital-Forex.com UK Limited (registered number 3770004) were approved by the Board of Directors and authorised for issue on 25 April 2014.

Signed on behalf of the Board of Directors.



Mr M Wright  
Director and Regional CEO



Mr M Chowdhury  
Director and Regional Finance Director

Company Registration No. 3770004

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

### **Notes to the financial statements For the year ended 31 December 2013**

#### **1. Accounting policies**

##### **Accounting convention**

The Financial Statements of the Company are prepared in accordance with the historical cost basis and in accordance with applicable United Kingdom accounting standards 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 British Pounds ("£" or "GBP"), which is the Company's presentation and functional currency.

##### **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 Review. The Strategic Review 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 have increased to £15.0 million from £6.1 million and the company continues to be profitable with no external debt. In the event 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**

Turnover represents allocations from Group companies under agreed transfer pricing agreements.

##### **Pensions**

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

##### **Cash balances**

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 Financial Reporting Standard ("FRS") 1 (Revised 1996) Cash flow statements and not present a cash flow statement.

##### **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 are not recognised in the Balance Sheet because the Company is not beneficially entitled to them. At 31 December 2013, amounts held by the company on behalf of clients in accordance with the Client Assets Rules of the Financial Services Authority amounted to £88,397,960 (2012: £92,206,485).



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

### **Notes to the financial statements**

**For the year ended 31 December 2013**

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

##### **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.

##### **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**

The Company has determined that its functional currency is British Pounds ("GBP"). Realized foreign currency transaction gains and losses are recorded in turnover on the profit and loss during the year at the exchange rate on the date of the transaction. Unrealized 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 on the profit and loss.

##### **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 income statement 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	33 1/3% straight line
Furniture, fixtures, fittings and equipment	33 1/3% straight line
Software development costs	33 1/3% straight line

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

### **Notes to the financial statements For the year ended 31 December 2013**

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

##### **Website 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.

##### **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 open derivative positions, 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 20 – Share-based Payments ("FRS 20"). In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 1 January 2006 that were unvested as of 31 December 2013. 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 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 measured by the market quoted price. Any unamortised expense is charged to the Profit and Loss Account if awards are cancelled or vest early.

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

### **Notes to the financial statements For the year ended 31 December 2013**

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

##### **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.

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements

For the year ended 31 December 2013

#### 2. Turnover

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

	2013 £	2012 £
Net fee income	78,978,521	41,271,720
Other trading income	580,080	475,003
	<u>79,558,601</u>	<u>41,746,723</u>

#### 3. Operating profit

	2013 £	2012 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	1,789,348	223,246
Amortisation of intangible assets	857,578	1,135,752
Operating leases	111,550	111,550
Fees payable to the company's auditor for the audit of the company's annual accounts	30,000	30,000
Fees payable to the company's auditor for other services pursuant to regulation	9,000	9,000
Fees payable to the company's auditor for other services pursuant to consulting services	10,850	14,028
	<u></u>	<u></u>

#### 4. Other Interest Receivable

	2013 £	2012 £
Bank interest	<u>311,592</u>	<u>232,107</u>

#### 5. Depreciation and amortisation

	2013 £	2012 £
Depreciation of tangible fixed assets	1,789,348	223,246
Amortisation of intangible assets	857,578	1,135,752
	<u>2,646,926</u>	<u>1,358,998</u>

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2013

#### 6. Taxation

	2013 £	2012 £
<b>Domestic current year tax</b>		
UK corporation tax	4,542,483	1,316,133
Adjustment for prior years	478,440	(6,644)
<b>Total current tax</b>	<u>5,020,923</u>	<u>1,309,489</u>
<b>Deferred Tax</b>		
Current year movement (note 11)	(420,170)	508,837
Prior year charge (note 11)	(437,300)	-
<b>Total tax charge for the year</b>	<u>4,163,453</u>	<u>1,818,326</u>
<b>Factors affecting the current tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>17,357,477</u>	<u>7,470,678</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.25% (2012: 24.50%).	<u>4,035,613</u>	<u>1,830,316</u>
Effects of:		
Non deductible expenses	235,744	5,938
Fixed asset timing differences	271,126	(520,121)
Adjustments to previous periods	478,440	(6,644)
	<u>985,309</u>	<u>(520,827)</u>
<b>Current tax charge for the year</b>	<u>5,020,923</u>	<u>1,309,489</u>

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2013

#### 7. Tangible fixed assets

	Computer equipment £	Furniture, fixtures, fittings and equipment £	Total £
<b>Cost</b>			
At 1 January 2013	2,410,319	190,864	2,601,183
Additions	1,513,265	-	1,513,265
Disposals	(2,569,146)	-	(2,569,146)
At 31 December 2013	<u>1,354,438</u>	<u>190,864</u>	<u>1,545,302</u>
<b>Depreciation</b>			
At 1 January 2013	211,096	132,190	343,286
Charge for the year	1,743,185	46,163	1,789,348
Disposals	(1,680,757)	-	(1,680,757)
At 31 December 2013	<u>273,524</u>	<u>178,353</u>	<u>451,877</u>
<b>Net book value</b>			
At 31 December 2013	<u>1,080,914</u>	<u>12,511</u>	<u>1,093,425</u>
At 31 December 2012	<u>2,199,223</u>	<u>58,674</u>	<u>2,257,897</u>

#### 8. Intangible fixed assets

	2013 £
<b>Cost</b>	
At 1 January 2013	4,926,606
Additions	-
Disposals	-
At 31 December 2013	<u>4,926,606</u>
<b>Amortisation</b>	
At 1 January 2013	1,845,594
Charge for the year	857,578
At 31 December 2013	<u>2,703,172</u>
<b>Net book value</b>	
At 31 December 2013	<u>2,223,434</u>
At 31 December 2012	<u>3,081,012</u>

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2013

#### 9. Debtors

	2013 £	2012 £
Amounts falling due within one year:		
Amounts owed by parent and fellow subsidiary undertakings	32,742,956	16,774,194
Trade debtors	54,820	4,322,898
Other debtors	144,429	149,692
Prepayments and accrued income	798,346	543,905
	<u>33,740,551</u>	<u>21,790,689</u>

#### Amounts falling due after more than one year

	2013 £	2012 £
Other debtors	<u>6,368</u>	<u>85,231</u>

Other debtors include £6,368 (2012: £6,368) being held by a credit card processing company under a deposit agreement.

#### 10. Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	2,248,999	1,507,013
Non-trade creditors	1,534,120	488,665
Amounts owed to parent and fellow subsidiary undertakings	7,409,808	4,579,355
Corporation tax	3,070,158	322,023
Other taxes and social security costs	90,672	87,404
Accruals and deferred income	1,262,475	696,723
Overdrafts	17,265	282,346
Deferred consideration	-	1,329,271
	<u>15,633,497</u>	<u>9,292,800</u>

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2013

#### 11. Deferred tax

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

	2013 £	2012 £
Fixed asset timing differences	349,133	(508,837)
Deferred tax asset/(liability)	349,133	(508,837)

The deferred tax asset has been calculated by reference to the tax rate of 20% (applicable from 1 April 2015) (2012: 23.5%) that was substantially enacted at the balance sheet date.

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

##### Defined contribution

	2013 £	2012 £
Contributions payable by the company for the year	35,903	47,882

#### 13. Called up share capital

	2013 £	2012 £
Allotted, called up and fully paid 2,850,000 ordinary shares of £1 each	2,850,000	2,850,000



## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2013

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

	Profit and loss account £
Balance at 1 January 2013	20,675,349
Profit for the year	13,194,024
Share based payment	59,583
Balance at 31 December 2013	<u>33,928,956</u>

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

	2013 £	2012 £
Profit for the financial year	13,194,024	5,652,352
Share based payments expense	59,583	40,836
Net addition to shareholders' funds	<u>13,253,607</u>	<u>5,693,188</u>
Opening shareholder's funds	23,525,349	17,832,161
Closing shareholders' funds	<u>36,778,956</u>	<u>23,525,349</u>

#### 16. Financial commitments

Capital commitments are as follows:

	2013 £	2012 £
Contracted for but provided for:		
Other – License fee payable per annum	121,668	365,004
	<u>121,668</u>	<u>365,004</u>

At 31 December 2013 the company was committed to making the following payments under non-cancellable operating leases:

	Land and buildings	
	2013 £	2012 £
Operating leases which expire:		
Within one year	-	-
Within two to five years inclusive	-	-
Greater than five years	-	131,439
	<u>-</u>	<u>131,439</u>

The Company exercised a break clause within its operating lease to move to new premises.

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2013

#### 17. Directors' remuneration

	2013 £	2012 £
Remuneration for qualifying services	380,875	311,856
Company pension contributions to defined contribution schemes	2,937	4,125
	<u>383,812</u>	<u>315,981</u>

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

	2013 £	2012 £
Remuneration for qualifying services	225,375	187,697
Company pension contributions to defined contribution schemes	2,937	4,125
	<u>228,312</u>	<u>191,822</u>

On 31 December 2013, the Company's ultimate parent company issued 15,000 restricted stock units to the Directors of the Company.

#### 18. Employees

##### Number of employees

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

	2013 No.	2012 No.
Management and administration	19	18
Sales	14	18
Dealing	2	2
	<u>35</u>	<u>38</u>

##### Employment costs

	2013 £	2012 £
Wages and salaries	2,821,691	2,018,489
Social security costs	378,844	306,157
Other pension costs	35,903	47,882
	<u>3,236,438</u>	<u>2,372,528</u>

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements For the year ended 31 December 2013

#### 19. 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 OPO). 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

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

	2013		2012	
	Number of stock options	Weighted average grant date fair value (\$)	Number of stock options	Weighted average grant date fair value (\$)
Outstanding at beginning of period	8,481	1.44	12,325	1.44
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	(5,653)	1.44	(3,844)	1.44
Expired during the period	-	-	-	-
Outstanding at the end of the period	2,828	1.44	8,481	1.44
Exercisable at the end of the period	-	-	-	-

There were 0.006 million shares exercised in 2013 and no shares exercised in 2012. The weighted average grant date fair value for exercises in both years was \$1.44. The options outstanding at 31 December 2013 had a weighted average exercise price of \$3.78.

## Gain Capital - Forex.com UK Limited

### Notes to the financial statements

#### For the year ended 31 December 2013

The inputs into the Black Scholes model are as follows:

	2013	2012
Weighted average exercise price	4.40	5.30
Expected volatility	48.80%	48.50%
Expected life	4.8 years	4.8 years
Risk-free rate	0.80%	0.90%
Expected dividend yield	4.90%	4.90%

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.

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

	2013		2012	
	Number of RSUs	Weighted average grant date fair value (\$)	Number of RSUs	Weighted average grant date fair value (\$)
Outstanding at beginning of period	53,512	6.04	25,262	7.13
Granted during the period	44,000	4.40	34,000	5.30
Forfeited during the period	-	-	-	-
Delivered during the period	(12,375)	5.76	(5,750)	6.48
Outstanding at the end of the period	<u>85,137</u>	<u>4.93</u>	<u>53,512</u>	<u>6.04</u>

The Company recognised total expenses of £59,583 related to equity-settled share-based payment transactions in 2013.

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

### **Notes to the financial statements**

#### **For the year ended 31 December 2013**

##### **20. 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 Gain Global Markets International, BV whose principal place of business is at Prins Bernhardplein 200, 1097JB, Amsterdam, The Netherlands.

The ultimate parent company and controlling party is Gain Capital Holdings Incorporated ("GCH"), whose principle place of business is at Bedminster One, Suite 11, 135 US Hwy 202/206, Bedminster, NJ 07921, United States.

##### **21. Related party relationships and transactions**

The Company is exempt from the requirement to disclose transactions with fellow wholly owned Group undertakings under paragraph 3. of FRS 8 Related party disclosures. There were no other related party transactions requiring disclosure.

Directors' remuneration is disclosed in note 17. Contributions to pension schemes are disclosed in note 12.

##### **22. Subsequent events**

On the 1st March 2014, GFT Global Markets UK Limited, a UK based subsidiary of Global Futures and Forex Limited transferred its business and operations to GCUK. This follows the acquisition on the 24<sup>th</sup> September 2013 by Gain Capital Holdings Inc, the ultimate parent of GCUK, of Global Futures and Forex Limited, a global company providing market making services in spot foreign exchange; contracts for difference, financial spread betting, FX Options, binary bets and binary CFDs.