Registered number 5021789

ODL Group Limited

Report and Group Financial Statements

31 December 2011

Contents

Directors' report

The directors have pleasure in presenting their report and the audited financial statements of ODL Group Limited and its consolidated subsidiaries ("the Group") for the year ended 31 December 2011

BACKGROUND

ODL Group Limited ("the Company") acts as a non-trading holding Company for its operating entities

- FXCM Securities Limited which is a member of the London Stock Exchange, NYSE Euronext and is regulated by the Financial Services Authority,
- FXCM Japan Securities Co Limited which is regulated to conduct Foreign Exchange, Commodities and Exchange Traded Futures

PRINCIPAL ACTIVITIES

The Group operating entities provide comprehensive dealing and brokerage services for both institutional and retail clients across the world The Group's clients are able to trade Futures, Foreign Exchange, Contracts for Difference, Spread Bets and Equities

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 8 The Group profit for the year before taxation amounted to £3 6m (2010 £15 3m loss) The Group profit for the year after taxation amounted to £2.5m (2010. £12.8m loss)

The directors did not pay a dividend for the year ended 31 December 2011 (2010 £Nil)

EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the year-end the following events have taken place

- On 14 August 2012, ODL Group Limited issued 150m ordinary shares of £0 01 each to FXCM Holdings LLC for £1 5m increasing the ordinary share capital from £41,928,729 to £43,428,729.
- On 24 August 2012, ODL Group Limited cancelled its entire share premium of £22,716,695
- On 24 August 2012, ODL Group Limited cancelled 3,242,872,910 ordinary shares of £0 01 reducing the ordinary share capital from £43,428,729 to £11,000,000
- On 1 October 2012 FXCM Japan Securities Co Limited was demerged from the Group
- There is a proposal to merge FXCM Securities Limited with FXCM Limited however no definite date has been decided
- An post balance sheet expense of £209,070 has been made recognised relating to a customer liability outstanding at the year end that has subsequently been settled

Directors' report

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Following an active drive to reduce the Group's cost base in 2010, the Group continued to review it's cost base and business lines throughout 2011, resulting in a further reduction in overall costs, including staff costs This will continue to be the subject of similar focus in 2012 Turnover increased to £27 3m in 2011 from £25 3m in 2010

Much attention has been paid to the management of risk within the business, in particular, the reduction of exposure to market fluctuations. With the implementation of the FXCM business model (which can be described as an agency execution model), the level of market risk that is being undertaken has been reduced. The Group continues to operate under an FSA limited licence under which the amount of market risk the Group is permitted to take is required to be kept to a minimum

Notwithstanding the measures that have been undertaken, the acquisition by FXCM Holdings LLC in 2010 continues to provide the Group with sufficient resources to continue to explore opportunities, expand global reach and grow customer base Any planned moves into new geographical areas will retain the focus of the Group's core strategy

On 31 March 2011, the Group acquired FXCM Japan, Incorporated ("FXCMJ") a Japan-based foreign exchange provider FXCMJ was sold to the Group by GCI Capital Co Limited who had previously reached an agreement with the FXCM Group to use the FXCM Japan trademark prior to the acquisition FXCMJ was a wholly owned subsidiary of ODL Japan Co Limited (ODLJ)

On 9 May 2011 ODLJ changed its name to FXCM Japan Securities Co Limited ("FJSL")

On 10 July 2011, FXCMJ merged into FJSL (the "FXCMJ Merger") and acquired Sankyo Securities Co Ltd customer accounts

On 7 October 2011, the Group acquired Foreland Forex Co Limited ("Foreland"), a Japan-based foreign exchange provider Foreland became a wholly owned subsidiary of FJSL

On 15 December 2011, Foreland merged into FJSL (the "Foreland Merger") The FXCMJ Merger and the Foreland Merger were accounted for as transfers among entities under common control and recorded at their historical costs

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and healthy capital ratios in order to support its business and maximise shareholder value

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares No changes were made in the objectives, policies or processes during the years ending 31 December 2011 and 31 December 2010.

Directors' report

GOING CONCERN

The Group's business activities and the risks it faces on a day to day basis, which are likely to affect its future development, performance and market position, are set out below

The Directors believe that the actions taken to minimise risk of all types during late 2010 and throughout 2011 will ensure that the Group will be able to manage its business risks successfully in the coming months enabling it to continue to enhance its market position and grow its business

After considering the above and making further enquiries, the directors have a reasonable expectation that the Group has access to adequate resources to ensure that the Group continues in operational existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the annual report and financial statements

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year were as follows

L Naldini
G G Wellesley
B Callan
D Niv
D Sakhai (resigned 20 April 2012)

SECRETARY

J Velez (appointed 14 April 2011)
J Chivaz (appointed 25 March 2010 and resigned 13 January 2011)

FINANCIAL RISK MANAGEMENT

Risks faced by the Group fall under the following categories and are disclosed in detail in note 27

- Credit risk
- Market risk
- Operational risk
- Regulatory risk
- Liquidity risk
- Group risk
- Strategic (or business) risk
- Reputational risk
- Country risk

Directors' report

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and 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 Group and of the profit or loss of the Group 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 a going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS

In accordance with s 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the Group

On behalf of the Board

Brendan Callan
Director
16 November 2012

Ernst & Young

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ODL GROUP LIMITED

We have audited the financial statements of ODL Group Limited for the year ended 31st December 2011 which comprise Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses and the Group and Parent Company Balance Sheets and the Group and Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 27 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 set out on pages 2-5, 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 group's and the parent 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 director's report to identify material inconsistencies with the audited financial statements 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 group's and of the parent company's affairs as at 31st December 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Ernst & Young LLP

Simon Michaelson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 23/11/12

Group profit and loss account
For the year ended 31 December 2011

	Note	2011 £	2010 £
Continuing operations			
On-going		22,294,172	25,307,412
Acquisitions - FXCM Japan, Incorporated		2,510,145	-
Acquisitions - Foreland Forex Co Limited		2,507,322	-
Trading income	*2*	27,311,639	25,307,412
Administrative expenses		(23,723,564)	(40,560,803)
Profit/(loss) on ordinary activities before taxation	*3*	3,588,075	(15,253,391)
Continuing operations			
On-going		2,111,405	(15,253,391)
Acquisitions - FXCM Japan, Incorporated		500,171	-
Acquisitions - Foreland Forex Co Limited		976,499	-
Tax (charge)/credit on profit/(loss) on ordinary activities	*5*	(1,124,686)	2,485,143
Profit/(loss) for the financial year		2,463,389	(12,768,248)

All of the Group's material activities during the year and preceding year are classed as continuing

Group statement of total recognised gains and losses
For the year ended 31 December 2011

	Note	2011 £	2010 £
Profit/(loss) for the financial year		2,463,389	(12,768,248)
Total recognised gains/(losses) relating to the year		2,463,389	(12,768,248)
Currency translation difference on foreign currency net investments	*22*	676,923	(391,591)
Total recognised gains/(losses) since last annual report		3,140,312	(13,159,839)

Group balance sheet
As at 31 December 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Intangible assets	6	11,145,782	105,959
Tangible assets	7	2,701,013	1,915,132
		13,846,795	2,021,091
CURRENT ASSETS			
Debtors	10	12,059,399	10,457,548
Deferred tax asset falling due within one year	11	1,537,526	1,847,695
Deferred tax asset falling due after one year	11	3,996,391	4,663,397
Cash at bank and in hand including short term deposits			
- own funds		18,923,892	7,258,709
- client funds		321,519,143	113,811,307
		358,036,351	138,038,656
CURRENT LIABILITIES			
Financial liabilities at fair value through profit and loss	12	(980,379)	(1,389,445)
CREDITORS amounts falling due within one year	13 (a)	(328,310,622)	(133,967,167)
		(329,291,001)	(135,356,612)
NET CURRENT ASSETS		28,745,350	2,682,044
TOTAL ASSETS LESS CURRENT LIABILITIES		42,592,145	4,703,135
CREDITORS: amounts falling due after more than one year	13 (b)	(100,818)	-
PROVISIONS FOR LIABILITIES AND CHARGES	14	(479,845)	(722,541)
NET ASSETS		42,011,482	3,980,594
CAPITAL AND RESERVES			
Called up share capital	18	41,928,729	7,038,153
Share premium account	19	22,716,695	22,716,695
EBT reserve account	20	(3,305,024)	(3,305,024)
Cumulative translation reserve	22	416,419	(260,504)
Profit and loss account	21	(19,745,337)	(22,208,726)
EQUITY SHAREHOLDERS' FUNDS	22	42,011,482	3,980,594

The financial statements on pages 8 to 46 were approved by the Board of Directors on 16 November 2012 and signed on its behalf by

Brendan Callan
Director

Company balance sheet
As at 31 December 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Tangible assets	7	818,384	1,167,424
Investments	8	62,386,369	25,657,966
		63,204,753	26,825,390
CURRENT ASSETS			
Debtors amounts falling due within one year	10	1,877,916	1,168,503
Deferred tax asset	11	1,065,409	1,048,088
Cash at bank and in hand		61,210	298,461
		3,004,535	2,515,052
CURRENT LIABILITIES			
CREDITORS amounts falling due within one year	13 (a)	(15,527,714)	(14,959,073)
NET CURRENT LIABILITIES		(12,523,179)	(12,444,021)
TOTAL ASSETS LESS CURRENT LIABILITIES		50,681,574	14,381,369
NET ASSETS		50,681,574	14,381,369
CAPITAL AND RESERVES			
Called up share capital	18	41,928,729	7,038,153
Share premium account	19	22,716,695	22,716,695
EBT reserve account	20	(3,305,024)	(3,305,024)
Cumulative translation reserve	22	1,442,389	-
Profit and loss account	21	(12,101,215)	(12,068,455)
EQUITY SHAREHOLDERS' FUNDS	22	50,681,574	14,381,369

The financial statements on pages 8 to 46 were approved by the Board of Directors on 16 November 2012 and signed on its behalf by

B Sheehan

Brendan Callan
Director

Notes to the financial statements
For the year ended 31 December 2011

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention modified by the valuation of derivative transactions and listed investments The foreign exchange profit and loss has been prepared based on closing prices on 31 December 2011

BASIS OF CONSOLIDATION

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings No separate profit and loss account is presented for the Company, as permitted by section 408 of the Companies Act 2006

Intra-group profits, assets and liabilities are eliminated on consolidation Profits and losses of companies entering or leaving the Group have been included from the date of acquisition or up to the date of disposal The net assets of the subsidiaries acquired are included on the basis of their fair value

Where the subsidiary undertakings year end differs from that of the parent company interim financial statements will be used covering the same accounting period as the Group

BUSINESS COMBINATIONS

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i e discount on acquisition) is credited to the consolidated profit and loss account in the period of acquisition

REVENUE RECOGNITION

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured

Trading income

Trading income represents profits and losses on foreign currency trading, derivatives and commissions receivable from broking activities net of commissions payable, all foreign exchange and OTC option contracts are marked to market and the resulting unrealised profit or loss is recognised directly in the profit and loss account Commissions receivable are credited to the profit and loss account on a trade date basis

Finance revenue

Finance revenue is accrued when receivable, by reference to the principal outstanding and at the effective interest rate applicable

Notes to the financial statements
For the year ended 31 December 2011

1 ACCOUNTING POLICIES (continued)

Commissions

Commissions receivable, which are recognised gross of commissions payable when in substance the Group acts as principal, are credited to the profit and loss account on a trade date basis

FINANCIAL ASSETS

The Group classifies its financial assets in the following category financial assets at fair value through profit and loss The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year end When financial assets are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs Purchases and sales of financial assets are recognised on the trade date, being the trade date that the Group commits to purchase or sell the financial assets

FINANCIAL LIABILITIES

The Group classifies its financial liabilities in the following category financial liabilities at fair value through profit and loss The Group determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at each financial year end When financial liabilities are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs

FAIR VALUES

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date Where there is no active market, fair value is determined using valuation techniques These include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same Where there is no reasonable basis for fair valuing and the fair value cannot be measured reliably, assets will be carried at cost

INVESTMENTS

Fixed asset investments are shown at cost. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar asset

Notes to the financial statements
For the year ended 31 December 2011

1 **ACCOUNTING POLICIES (continued)**

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses Such cost includes costs directly attributable to making the asset capable of operating as intended Borrowing costs attributable to assets under construction are recognised as an expense when incurred

Depreciation of tangible fixed assets is charged on a straight-line basis commencing with the month of acquisition at rates estimated to write off their cost over their expected useful lives, which are as follows·

Motor vehicles	- 4 years
Computer software and hardware	- 4 years
Furniture, fixtures and fittings	- 4 years
Leasehold improvements	- Over the period of the lease
Computer software and hardware under finance lease agreement	- Over the period of the lease

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable Impairment losses are recognised as an expense immediately

GOODWILL AND INTANGIBLE FIXED ASSETS

Goodwill arising on consolidation is calculated as the difference between the consideration paid including transactions costs and the fair value of net assets acquired at the date of acquisition Goodwill and intangible fixed assets are capitalised and amortised on a straight-line basis over the period which economic benefits are expected to accrue from the business acquired, which are as follows:

Goodwill	- 20 years
Trademarks	- 10 years
Customer accounts	- 3 years
Software development *	- 4 years
Japanese telephone rights - held to perpetuity	- not amortised

*Software development initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

The carrying value of goodwill and intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable Impairment losses are recognised as an expense immediately

Notes to the financial statements
For the year ended 31 December 2011

1 ACCOUNTING POLICIES (continued)

CASH FLOW STATEMENT

As the Company is a subsidiary undertaking where 90% or more of the voting rights are controlled within the parent entity group, and the consolidated financial statements in which the Company is included are publicly available, the directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) (FRS 1) and not applied FRS 1

LEASES AND HIRE PURCHASE CONTRACTS

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and depreciated over the shorter of the lease term and the asset's useful lives The capital element of future obligations under leases and hire purchase contracts is included as a liability in the balance sheet The interest elements of rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term Lease incentives are recognised over the shorter of the lease term and the date of the next rent review

DEFERRED TAXATION

Deferred tax is recognised in respect of all 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 Group'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 is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

FOREIGN CURRENCIES

All monetary assets and liabilities are translated at the closing rate on 31 December 2011 Any profit or loss arising is included within operating profit

FOREIGN CURRENCIES - COMPANY

Transactions in foreign currencies are translated into the functional currency of operation (Sterling for ODL Group Limited) at the rate ruling on the transaction's date Monetary items denominated in foreign currencies are retranslated at closing rates and exchange differences reflected in the profit and loss with the exception of differences on foreign currency borrowings to the extent they finance or provide a hedge against foreign equity investments, which are taken to reserves together with the exchange differences on the carrying amounts of the related investments

Notes to the financial statements
For the year ended 31 December 2011

1 ACCOUNTING POLICIES (continued)

FOREIGN SUBSIDIARIES

The assets and liabilities of foreign operations are translated into Sterling at the rate of exchange ruling at the balance sheet date Income and expenses are translated each month at closing exchange rates The resulting exchange differences are recognised in the profit and loss account

The Group applies FRS 26 - Financial Instruments Measurement, due to its principal UK trading subsidiary applying the fair value option As a result, the Group is required to apply FRS 23 - The Effect of Changes in Foreign Exchange Rates in accounting for foreign exchange

The Company applies SSAP 20 - Foreign Currency Translation in accounting for foreign exchange The Directors consider it is appropriate for the Company to apply SSAP 20 as the Company is not a trading company and does not have the transactions which are accounted for under the fair value option in the Group accounts As the Company does not apply the fair value option under FRS 26, it is not required to apply FRS 23

PROVISIONS FOR LIABILITIES AND CHARGES

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

SHARE-BASED PAYMENT

The cost of employees' services received in exchange for the grant of rights under an equity-based employee compensation scheme is measured by reference to the fair value of the equity instruments at the date of the grant Fair value of the equity instruments at the date of the grant is determined by an external valuer using an appropriate pricing model or using recent arm's length market transactions

The Group provides a loan to the employees to purchase the equity instruments through an Employee Benefit Trust at the price equal to the fair value of the equity instruments at the date of the grant

The cost of employees' services received in exchange for the grant of rights under the equity-based employee compensation scheme is nil, that is, being the fair value of equity instruments less the purchase price
There is no charge to the Profit and Loss Account in accordance with FRS 20 - Share-based Payment

EMPLOYEE BENEFIT TRUST

The assets and liabilities of an Employee Benefit Trust ("EBT") have been included in the Group financial statements Any assets held by the EBT cease to be recognised on the Group balance sheet when the assets vest unconditionally in identified beneficiaries The costs of purchasing own shares held by the EBT are shown as a deduction against equity The proceeds from the sale of own shares held increase equity Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group income statement.
The EBT scheme is in the process of being wound down with no impact on the profit and loss account of the Group

Notes to the financial statements
For the year ended 31 December 2011

1 ACCOUNTING POLICIES (continued)

DEBTORS

Debtors are stated at their recoverable value. At each balance sheet date debtors are reviewed to determine whether there is an indication of impairment If any such indication exists, the recoverable amount is estimated A provision for impairment is recognised immediately it is evident that full recovery is unlikely The provision is subject to management review

CLIENT MONEY

The Group holds money on behalf of clients in accordance with the Client Money Rules of the Financial Services Authority Such monies and the corresponding liabilities to the clients are included on the balance sheet as disclosed in the notes

2 TRADING INCOME

The Group's trading income comprises a single segment, foreign exchange and derivatives trading and related broking activities

	2011 £	2010 £
Trading revenues	26,327,372	23,817,572
Interest income	750,864	803,589
MTM (losses) on unlisted investments	-	(19,613)
Other income	205,292	1,401,568
Exchange gains and losses	28,111	(695,704)
	27,311,639	25,307,412

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

OPERATING PROFIT/(LOSS) IS STATED AFTER CHARGING	2011 £	2010 £
Services provided by the Group's auditor		
- Fees paid for audit services	252,603	150,169
- Fees paid for other assurance services	-	17,400
- Fees paid for non-assurance services	53,076	103,907
Services provided by other firms		
- Fees paid for regulatory audit	15,000	-
- Fees paid for other services - tax compliance	191,766	184,284
Operating lease charges - land and buildings	1,304,677	1,018,129
Commissions due to third parties	-	1,217,659
Impairment of fixed assets	-	6,399,990
Profit on disposal of fixed assets	92,880	-
Amortisation (note 6)	903,096	483,219
Depreciation (note 7)	1,109,763	1,664,909

Notes to the financial statements
For the year ended 31 December 2011

4 DIRECTORS AND EMPLOYEES

	2011	2010
	£	£
STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS		
Wages and salaries	6,217,722	8,179,175
Social security costs	702,116	884,872
	6,919,838	9,064,047

	No.	No.
AVERAGE NUMBER EMPLOYED INCLUDING DIRECTORS		
Trading	52	73
Information technology	15	22
Management and administration	33	29
	100	124

	£	£
DIRECTORS' EMOLUMENTS		
For qualifying services	1,563,879	1,266,512
Remuneration of highest paid director	545,131	452,960

There are no pension costs as the Group made no pension contributions (2010 £Nil) During the year a total of £70,366 (2010 £284,652) was payable to directors as compensation for loss of office

During the year there were no ordinary shares awarded to current and former directors Shares are awarded to key employees under the "Employee Arrangement" introduced to motivate, encourage and retain key employees

Notes to the financial statements
For the year ended 31 December 2011

5 TAXATION

	2011 £	2010 £
(a) TAX CHARGE/(CREDIT) BASED ON THE PROFIT/(LOSS) FOR THE YEAR		
Current tax		
UK corporation tax on profits of the year	-	-
Adjustment in respect of previous years	(390,309)	300,798
Foreign tax	537,820	27,662
Total current tax	147,511	328,460
Deferred tax		
Deferred tax charge/(credit) for the year (note 11)	977,175	(2,813,603)
Tax on profit/(loss) on ordinary activities	1,124,686	(2,485,143)

(b) FACTORS AFFECTING TAX CHARGE/(CREDIT) FOR THE YEAR

The tax assessed for the year is different from the standard effective rate of corporation tax in the UK for the year ended 31 December 2011 of 26 5% (2010 28%)

The differences are explained below

	2011 £	2010 £
Profit/(loss) on ordinary activities before taxation	3,588,075	(15,253,391)
Profit/(loss) on ordinary activities multiplied by standard rate in the UK 26 5% (2010 28%)	950,840	(4,270,949)
Effects of:		
Expenses not deductible for tax purposes	537,684	260,791
Depreciation in excess of capital allowances	164,713	1,865,029
Differing rates of overseas tax	(119,214)	(8,949)
(Utilisation)/non-utilisation of tax losses	(961,586)	2,181,740
Temporary differences previously not recognised	(725,631)	-
Short term timing differences	703,465	-
Non taxable income	(134,357)	-
Permanent Difference	108,577	-
Prior year R&D tax credit	-	(92,166)
Other taxes	13,329	-
Adjustments in respect of previous years	(390,309)	392,964
Current tax charge for the year	147,511	328,460

Notes to the financial statements
For the year ended 31 December 2011

5 TAXATION (continued)

(c) The Group has trading losses of £8,791,939 (31 December 2010. £14,100,036) which are available for use against future trading profits arising in FXCM Securities Limited A deferred tax asset of £2,214,011 (2010 £3,807,010) has been recognised in relation to those losses It is the opinion of the directors that it is more likely than not that there will be suitable trading profits in future periods, against which the trading losses may be relieved.

The Group is recognising a further deferred tax asset in relation to fixed asset and other short term timing differences of £2,254,497 (2010 £1,655,994) which are available for use against future trading profits arising in FXCM Securities Limited and FXCM Japan Securities Co Limited. It is the opinion of the directors that it is more likely than not that there will be will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted

The Group also has decelerated capital allowances at 31 December 2011 of £4,261,636 (31 December 2010 £3,881,806), which are available for relief against future profits arising in ODL Group Limited A deferred tax asset of £1,065,409 (2010. £1,048,088) has been recognised in relation to these differences It is the opinion of the directors that it is more likely than not that there will be will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

The Group also has capital losses carried forward at 31 December 2011 of £378,005 (31 December 2010: £378,005), which are available indefinitely for use against future capital gains arising in FXCM Securities Limited Deferred tax is not being recognised in relation this loss, as it is the opinion of the directors that it is not more likely than not that there will be sufficient capital gains in future periods against which the loss could be relieved

The total movement in deferred tax in the year to 31 December 2011 is £977,175 (2010. £2,813,603)

Notes to the financial statements
For the year ended 31 December 2011

6 INTANGIBLE FIXED ASSETS

GROUP	Goodwill	Trademarks and licences	Customer accounts	Telephone rights	Software development	Total
COST	£	£	£	£	£	£
1 January 2011	-	-	-	-	1,801,744	1,801,744
Additions	4,292,591	4,899	7,639,057	6,372	-	11,942,919
31 December 2011	4,292,591	4,899	7,639,057	6,372	1,801,744	13,744,663
AMORTISATION						
1 January 2011	-	-	-	-	1,695,785	1,695,785
Charge for the year	58,804	561	789,830	-	53,901	903,096
31 December 2011	58,804	561	789,830	-	1,749,686	2,598,881
NET BOOK VALUE						
31 December 2011	4,233,787	4,338	6,849,227	6,372	52,058	11,145,782
31 December 2010	-	-	-	-	105,959	105,959

On 31 March 2011 FXCM Japan Securities Co Limited acquired 100% of the issued shares in FXCM Japan, Incorporated which resulted in the following

- Goodwill arising on consolidation of £141,391 which has been capitalised
- Pre-existing goodwill of £97,286 which has been capitalised,
- Japanese telephone rights of £513 which have been capitalised,
- Trademarks of £4,899 which have been capitalised
- Customer accounts of £646,752 which have been capitalised

On 10 July 2011 FXCM Japan Securities Co Limited acquired Sankyo Securities Co Ltd customer accounts of £573,514

On 7 October 2011 FXCM Japan Securities Co Limited acquired 100% of the issued shares in Foreland Forex Co Limited which resulted in the following

- Goodwill arising on consolidation of £4,053,914 which has been capitalised
- Customer accounts of £6,418,791 which have been capitalised,
- Japanese telephone rights of £5,859 which have been capitalised,

Goodwill arising on the following acquisitions is being amortised as follows

- FXCM Japan, Incorporated and Foreland Forex Co Limited is being amortised evenly over the directors' estimate of its useful economic life of 20 years,

- Sankyo Securities Co Limited customer accounts are being amortised evenly over the directors' estimate of its useful economic life of 5 years

At the year end the Group had no capital commitments (2010 £Nil)

All intangible fixed assets are subject to an annual impairment review

Notes to the financial statements
For the year ended 31 December 2011

7 TANGIBLE FIXED ASSETS

GROUP	Leasehold improvements £	Motor vehicles £	Furniture, fixtures and fittings £	Computer software and hardware £	Total £
COST					
1 January 2011	2,541,086	41,854	692,466	1,164,434	4,439,840
Additions	149,906	-	479,835	2,874,832	3,504,573
Disposals	(713,731)	-	(54,176)	(85,319)	(853,226)
Foreign exchange movement	(35,568)	-	(9,695)	(564,240)	(609,503)
31 December 2011	1,941,693	41,854	1,108,430	3,389,707	6,481,684
ACCUMULATED DEPRECIATION					
1 January 2011	1,109,235	40,933	648,782	725,758	2,524,708
Additions	30,503	-	13,435	588,919	632,857
Charge for the year	202,697	921	111,545	794,600	1,109,763
Disposals	(215,304)	-	(41,834)	(29,905)	(287,043)
Foreign exchange movement	(11,539)	-	(2,719)	(185,356)	(199,614)
31 December 2011	1,115,592	41,854	729,209	1,894,016	3,780,671
NET BOOK VALUE					
31 December 2011	826,101	-	379,221	1,495,691	2,701,013
31 December 2010	1,431,851	921	43,684	438,676	1,915,132

There are no assets acquired under finance lease for 2011 and 2010 and no depreciation was charged in respect of such assets for the year (2010 £142,105)

As of 25 May 2012, the Group is committed to capital payments of £760,000 in relation to a new multi asset trading platform which is expected to come into service in 2012 At the year end the Group had no other capital commitments (2010 £Nil)

Notes to the financial statements
For the year ended 31 December 2011

7 TANGIBLE FIXED ASSETS (continued)

COMPANY	Leasehold improvements	Motor vehicles	Furniture, fixtures and fittings	Computer software and hardware	Total
	£	£	£	£	£
COST					
1 January 2011	1,586,162	40,159	403,587	650,469	2,680,377
Disposals	-	-	(2,103)	(5,748)	(7,851)
31 December 2011	1,586,162	40,159	401,484	644,721	2,672,526
ACCUMULATED DEPRECIATION					
1 January 2011	672,147	39,236	359,904	441,666	1,512,953
Charge for the year	179,806	923	42,210	125,056	347,995
Disposals	-	-	(2,016)	(4,790)	(6,806)
31 December 2011	851,953	40,159	400,098	561,932	1,854,142
NET BOOK VALUE					
31 December 2011	734,209	-	1,386	82,789	818,384
31 December 2010	914,015	923	43,683	208,803	1,167,424

Notes to the financial statements
For the year ended 31 December 2011

8 INVESTMENTS

COMPANY

Shares in subsidiary undertakings at cost	£
1 January 2011	25,657,966
Additions	35,286,014
Exchange adjustment arising on retranslation of net investment	1,442,389
31 December 2011	62,386,369

The additional investment made during the year in FXCM Japan Securities Co Limited represented total capital contributions of Yen 3,733,178,641 (2010 Yen 85,000,000) During the year, the Company also invested £2,405,002 in FXCM Securities Limited (2010 £6,259,999)

On 1 February 2011, ODL IT Services Limited was dissolved

On 14 February 2011, ODL Australia PTY Limited was sold to an external third party The consideration of A$ 49,670 63 received was in recognition of the cash asset with no gain or loss on disposal

The principal subsidiary undertakings at 31 December 2011 are listed below

Subsidiary undertaking	Country of incorporation	Holding	Proportion of voting rights held	Nature of business
FXCM Nominees Limited*	UK	Ordinary shares	100%	Nominee
FXCM Securities Limited	UK	Ordinary shares	100%	Diversified financial services
FXCM Japan Securities Co Limited	Japan	Ordinary shares	100%	Diversified financial services

* = Dormant company

FXCM Japan Securities Co Limited has a financial year ending on 31 March 2011, as required under Japanese law

Notes to the financial statements
For the year ended 31 December 2011

8 INVESTMENTS (continued)

On 31 March 2011, the Group acquired FXCM Japan, Incorporated a Japan-based foreign exchange provider for a consideration of £9,811,584 Analysis of the acquisition of FXCM Japan, Incorporated

Net assets at date of acquisition·	£
Tangible fixed assets	1,397,685
Intangible fixed assets	5,412
Trade debtors	23,495,170
Other debtors	1,776,908
Prepayment	35,326
Cash - own funds	6,181,626
Cash - client funds	69,542,414
Trade creditors	(91,140,261)
Other creditors	(2,368,125)
Net assets	8,926,155
Value of customer accounts capitalised	646,752
Goodwill arising on acquisition	238,677
Consideration satisfied by cash	9,811,584

On 7 October, 2011 the Group acquired Foreland Forex Co Limited, Incorporated a Japan-based foreign exchange provider for a consideration of £22,673,997 Analysis of the acquisition of Foreland Forex Co Limited.

Net assets at date of acquisition	£
Tangible fixed assets	516,947
Intangible fixed assets	5,859
Trade debtors	53,126,982
Other debtors	957,391
Prepayment	79,508
Cash - own funds	554,384
Cash - client funds	109,898,033
Trade creditors	(149,037,264)
Other creditors	(3,970,026)
Deferred taxation	69,478
Net assets	12,201,292
Value of customer accounts capitalised	6,418,791
Goodwill arising on acquisition	4,053,914
Consideration satisfied by cash	22,673,997

Notes to the financial statements
For the year ended 31 December 2011

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

GROUP	*Note*	Listed £	Unlisted £	Total £
1 January 2010		10,430,526	-	10,430,526
Market value adjustment recognised in the profit and loss		(19,613)	-	(19,613)
Net movement		(10,410,913)	-	(10,410,913)
31 December 2010 and 2011	*17*	-	-	-

10 DEBTORS

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Amounts falling due within one year:				
Trade debtors	4,674,858	-	8,417,509	-
Owed by subsidiary undertakings	-	1,599,024	-	1,040,875
Corporation tax receivable	628,675	278,892	1,053,037	-
Prepayments and accrued income	636,297	-	987,002	127,628
Owed by group undertakings	4,714,158	-	-	-
Other debtors	1,405,411	-	-	-
	12,059,399	1,877,916	10,457,548	1,168,503

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

Trade debtors include amounts owed by customers, where the amounts owing are fully collateralised The assets belonging to the customers, used to collateralise these balances, are not held on the balance sheet Trade debtors have been adjusted for the provision of doubtful debts of £714,015

The following table includes an analysis of Group financial assets by credit quality

	2011 £	2010 £
Total neither past due nor impaired	16,879,301	16,968,640
Past due-not impaired	-	-
Past due-impaired	714,015	-
	17,593,316	16,968,640

Past due-not impaired are debtors outstanding less than 3 months
Past due-impaired are debtors outstanding greater than 3 months

Notes to the financial statements
For the year ended 31 December 2011

10 DEBTORS (continued)

	2011	2010
	£	£
Movement in provisıons for bad debts is as follows:		
At 1 January	-	7,224,097
Amounts wrıtten off	-	(7,224,097)
Provıded for ın the year	714,015	-
At 31 December	714,015	-

11 DEFERRED TAX ASSET

	2011	2010
Movement in deferred tax is made up of:	£	£
At 1 January	6,511,092	3,697,489
Profit and loss account (note 5)	(516,714)	2,470,478
Adjustments due to change ın corporatıon tax rate (note 5)	(388,924)	-
Adjustments ın respect of prıor perıods (note 5)	(71,537)	343,125
At 31 December	5,533,917	6,511,092

	2011	2010
The deferred tax provision is made up as follows:	£	£
Decelerated capıtal allowances	1,065,409	1,048,088
Other tımıng dıfferences	2,254,497	1,655,994
Unutılısed tax losses	2,214,011	3,807,010
Total provısıon for deferred tax	5,533,917	6,511,092

The Directors belıeve that the actıons taken ın 2010 to mınımıse all rısks goıng forward and controls adopted sınce the acquısıtıon of the Group by FXCM Holdıngs LLC wıll ensure that the Group wıll be able to manage ıts current and future busıness rısk successfully This wıll enable the Group to contınue to enhance its market posıtıon and grow ıts busıness to generate suffıcıent tradıng profits ın future years for the Group to utılıse the tradıng losses carrıed forward

Wıth regard to the unrecognısed deferred tax assets, ıt was not consıdered more lıkely than not that there would be suffıcıent profits/gaıns ın future years agaınst whıch the capıtal losses ın FXCM Securıtıes Lımıted and the excess management expenses ın ODL Group Lımıted could be relıeved Therefore, a deferred tax asset of £94,501 (2010 £102,061) was not recognısed ın respect of these losses

Notes to the financial statements
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11 DEFERRED TAX ASSET (continued)

A reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in March 2011 and is effective from 1 April 2011 A further reduction from 26% to 25% was substantively enacted in July 2011 to be effective from 1 April 2012 Accordingly, the 25% rate has been applied in the measurement of the Group's deferred tax assets/liabilities as at 31 December 2011 being the enacted future UK corporation tax rate at the balance sheet date The deferred tax asset is recognised on the basis that the Directors believe that the Group will have future profits against which the deferred tax can be recovered

As part of the 2012 Budget on 21 March 2012, the UK government announced its intention to legislate to reduce the main rate of corporation tax further to 24% with effect from 1 April 2012 and further by 1% per annum falling to 22% with effect from 1 April 2014.

The aggregate impact of the proposed reductions from 25% to 22% would reduce the deferred tax assets/deferred tax liabilities by approximately £319,100

The non-current portion of deferred tax assets is £3,996,391 (2010 £4,663,397)

12 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

	Note	Listed £	Unlisted £	Total £
1 January 2011		1,389,445	-	1,389,445
Market value adjustment recognised in the profit and loss		(13,294)	-	(13,294)
Net movement		(395,772)	-	(395,772)
31 December 2011	*17*	980,379	-	980,379

	Note	Listed £	Unlisted £	Total £
1 January 2010		1,557,261	-	1,557,261
Market value adjustment recognised in the profit and loss		157,868	-	157,868
Net movement		(325,684)	-	(325,684)
31 December 2010	*17*	1,389,445	-	1,389,445

Notes to the financial statements
For the year ended 31 December 2011

13 (a) CREDITORS: amounts falling due within one year

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Bank overdraft	-	10,000,000	15	10,000,015
Trade creditors	323,810,100	209,070	114,260,244	17
Corporation tax payable	908,538	74,000	340,188	340,188
Other taxation and social security	103,682	-	170,890	-
Obligations under finance leases and hire purchase agreements (note 23)	-	-	25,302	25,302
Other creditors	1,794,436	520	17,669,720	495
Accruals and deferred income	1,693,866	-	1,500,808	82,248
Amounts owed to subsidiary undertakings	-	5,244,124	-	4,510,808
	328,310,622	15,527,714	133,967,167	14,959,073

Trade creditors include client balances of £321,519,143 (2010 £113,811,307)

13 (b) CREDITORS: amounts falling due after more than one year

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Obligations under finance leases and hire purchase agreements (note 23)	100,818	-	-	-

14 PROVISIONS FOR LIABILITIES AND CHARGES

Onerous lease: (refer to note 23)	2011 £	2010 £
At 1 January	722,541	-
Provided in period	-	722,541
Utilised during the period	(242,696)	-
At 31 December	479,845	722,541

Notes to the financial statements
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15 CHARGES ON ASSETS

Within the balance of own funds shown under cash at bank and in hand including short term deposits on the face of the balance sheet, was an amount of £309,669 (2010 £360,396) at 31 December 2011 which was subject to a lien placed on funds held at Yapi Kredi in Turkey Since the year end this lien has been lifted and the funds have been withdrawn

16 CONTINGENT LIABILITIES

As of 25 May 2012, the Group is committed to capital payments of £760,000 in relation to a new multi asset trading platform which is expected to come into service in 2012

Credit Agreement

In December 2011, the immediate parent FXCM Holdings, LLC, entered into a three year credit agreement (the "Credit Agreement") with a syndicate of financial institutions The Credit Agreement provides for a revolving credit line of up to US$75 0 million Under certain circumstances, the credit line may be increased during the term of the Credit Agreement by up to US$75 0 million thereby increasing the aggregate amount of the credit facility up to a maximum of US$150 0 million The Credit Agreement is guaranteed by certain subsidiaries of the Company and is secured by a pledge of all of the equity interests in certain of the Corporation's domestic subsidiaries and 65% of the voting equity interests in certain of its foreign subsidiaries The Company is subject to the 65% requirement

The Credit Agreement will expire on 19 December 2014, unless terminated earlier

If total borrowings outstanding exceeds the aggregate revolving commitments then in effect, FXCM Holdings, LLC is required to immediately repay the revolving loans in an aggregate amount equal to such excess As of 31 December 11, FXCM Holdings, LLC was not subject to such repayment requirements

17 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Group's principal financial instruments, which are held in subsidiaries of the company, other than derivative transactions, comprise cash balances with brokers and customers, and other debtors or creditors that arise through the normal course of business Derivative transactions with brokers are entered into in the normal course of business in order to hedge market exposures resulting from derivative transactions placed by customers

Fair Values hierarchy:

There are no significant differences between the fair value of the Group's financial assets and liabilities and their carrying value in the balance sheet

Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Notes to the financial statements
For the year ended 31 December 2011

17 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2011

2011	Level 1	Level 2	Level 3	Total
	£	£	£	£
FINANCIAL LIABILITIES				
Financial liabilities designated at fair value through profit and loss				
- Short positions in quoted equities	980,379	-	-	980,379

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2010

2010	Level 1	Level 2	Level 3	Total
	£	£	£	£
FINANCIAL LIABILITIES				
Financial liabilities designated at fair value through profit and loss				
- Short positions in quoted equities	1,389,445	-	-	1,389,445

Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques

Quoted investments and short positions in quoted equities are valued at the quoted market price.

Notes to the financial statements
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17 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

The fair value of the Group's financial assets and liabilities analysed into appropriate categories, including assets held on behalf of clients on a segregated basis is as follows

FINANCIAL ASSETS	2011 £	2010 £
Debtors	11,430,724	9,404,511
Cash and cash equivalents	340,443,035	121,070,016
	351,873,759	130,474,527

FINANCIAL LIABILITIES	2011 £	2010 £
Payables Current liabilities	328,382,463	135,016,424

Interest rate profile of financial instruments
The interest rate risk profile of the Group's financial assets and liabilities at the balance sheet date was as follows

	Financial assets			Financial liabilities		
	Floating rate £	Nil rate £	Total £	Floating rate £	Nil rate £	Total £
2011						
Sterling	44,303,332	8,803,707	53,107,039	55,639,010	1,957,574	57,596,584
US Dollars	31,959,925	-	31,959,925	30,004,974	209,070	30,214,044
Euros	13,409,940	-	13,409,940	12,824,855	-	12,824,855
Other	250,771,028	2,625,827	253,396,855	224,041,605	3,705,375	227,746,980
	340,444,225	11,429,534	351,873,759	322,510,444	5,872,019	328,382,463
2010						
Sterling	39,162,162	4,208,269	43,370,431	63,046,799	7,892,150	70,938,949
US Dollars	56,498,782	4,569,835	61,068,617	37,100,703	10,228,470	47,329,173
Euros	8,540,576	-	8,540,576	15,132,538	33,483	15,166,021
Other	17,494,903	-	17,494,903	1,124,826	457,455	1,582,281
	121,696,423	8,778,104	130,474,527	116,404,866	18,611,558	135,016,424

The floating rate financial instruments comprise cash at bank on which interest is earned at bank base rates and amounts due to and from customers and brokers on which interest is paid and received based on LIBOR

Nil rate financial instruments comprise other debtors and creditors on which no interest is received or paid

Notes to the financial statements
For the year ended 31 December 2011

17 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Currency risk

The functional currency of the Group is Sterling The net monetary assets and liabilities analysed by currency at the balance sheet date were as follows

	2011	2010
	£	£
Sterling	(4,489,545)	(27,568,518)
US Dollars	1,745,881	13,739,444
Euros	585,085	(6,625,445)
Other currencies	25,649,875	15,912,622
	23,491,296	(4,541,897)

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18 CALLED UP SHARE CAPITAL

ALLOTTED AND FULLY PAID	**2011** £	**2010** £
Ordinary shares of £0 01 each		
At 1 January	5,032,693	32,478
Deferred shares converted	2,005,460	-
Issued during the year	34,890,576	5,000,215
At 31 December	41,928,729	5,032,693
Deferred shares of £0 01 each		
At 1 January	2,005,460	2,005,460
Converted into ordinary shares during the year	(2,005,460)	-
At 31 December	-	2,005,460
Total at 31 December	41,928,729	7,038,153

On 28 March 2011 there was an allotment of 981,158,386 ordinary £0 01 shares
On 30 April 2011 there was an allotment of 240,500,241 ordinary £0 01 shares
On 5 October 2011 there was an allotment of 1,836,057,801 ordinary £0 01 shares
On 21 October 2011 there was an allotment of 234,053,300 ordinary £0 01 shares
On 27 October 2011 there was an allotment of 197,287,900 ordinary £0 01 shares
On 15 December 2011 there was a conversion of 200,545,983 deferred £0 01 shares into ordinary £0.01 shares

The Deferred Shares shall entitle the holders to the following rights

(a) no right to receive any dividend or other distribution,

(b) on a return of capital in a liquidation but not otherwise, the right to receive only the amount paid up on each Deferred Share but only after the holder of each Ordinary Share shall have received £100,000,000 per Ordinary Share and the holders of Deferred Shares shall not be entitled to any further participation in the assets or profits of the Company,

(c) no right to receive notice of, or to attend or vote at, any general meeting of the Company

The Group funds each of its operating subsidiaries with sufficient capital to ensure it is able to meet its regulatory obligations on a daily basis, in the UK and Japan In doing so, the Board of Directors believe that the interests of all stakeholders, including customers and shareholders, are fully protected Account is taken of all potential events that could have an impact on that capital

See note 16 relating to the credit agreement share pledge

Notes to the financial statements
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18 CALLED UP EQUITY SHARE CAPITAL (continued)

Controls are in place to constantly monitor the level of capital and the regulatory requirements of the activities within each company These requirements are based on the level of risk evident in each subsidiary Primarily they are influenced by the level of market risk and credit risk taken on by the subsidiaries, but additionally by the operational risks, inherent in the markets in which the Group operates

Capital is provided in the subsidiaries, in the form of share capital and subordinated loans from the Company When additional capital has been required at any time, further capital has been injected It is the Board's policy to maintain the capital within the Company at such a level that enables additional funding of subsidiaries to be made when required Should there be insufficient capital to inject into a subsidiary, then the activities, and hence the risks undertaken, in that subsidiary would be reduced to ensure that regulatory obligations continue to be met

19 SHARE PREMIUM ACCOUNT

	£
At 1 January 2011	22,716,695
Premium on shares issued	-
At 31 December 2011	22,716,695

20 EBT RESERVE ACCOUNT

	£
At 1 January 2011	(3,305,024)
Movement during year	-
At 31 December 2011	(3,305,024)

21 PROFIT AND LOSS ACCOUNT

GROUP	£
At 1 January 2011	(22,208,726)
Retained profit for the year	2,463,389
At 31 December 2011	(19,745,337)

Notes to the financial statements
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21 PROFIT AND LOSS ACCOUNT (continued)

COMPANY	£
At 1 January 2011	(12,068,455)
Retained loss for the year	(32,760)
At 31 December 2011	(12,101,215)

22 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

GROUP	Share Capital £	Share Premium £	EBT Reserve £	Translation Reserve £	Profit and Loss £	Total £
At 1 January 2010	2,037,938	21,407,550	(3,305,024)	131,087	(9,440,478)	10,831,073
Movement in the year	5,000,215	1,309,145	-	(391,591)	(12,768,248)	(6,850,479)
At 1 January 2011	7,038,153	22,716,695	(3,305,024)	(260,504)	(22,208,726)	3,980,594
Movement in the year	34,890,576	-	-	676,923	2,463,389	38,030,888
At 31 December 2011	41,928,729	22,716,695	(3,305,024)	416,419	(19,745,337)	42,011,482

COMPANY	Share Capital £	Share Premium £	EBT Reserve £	Translation Reserve £	Profit and Loss £	Total £
At 1 January 2010	2,037,938	21,407,550	(3,305,024)	-	(6,933,723)	13,206,741
Movement in the year	5,000,215	1,309,145	-	-	(5,134,732)	1,174,628
At 1 January 2011	7,038,153	22,716,695	(3,305,024)	-	(12,068,455)	14,381,369
Movement in the year	34,890,576	-	-	1,442,389	(32,760)	36,300,205
At 31 December 2011	41,928,729	22,716,695	(3,305,024)	1,442,389	(12,101,215)	50,681,574

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For the year ended 31 December 2011

23 ANNUAL OBLIGATIONS UNDER OPERATING AND FINANCE LEASES AND HIRE PURCHASE CONTRACTS

GROUP

At 31 December the Company had annual commitments under non-cancellable operating leases expiring

Land and buildings:	2011 £	2010 £
Within one year	926,829	144,303
Between one and five years	1,010,159	380,186
	1,936,988	524,489

This relates to the contract for rent and works contributions on the 10 year lease signed on 8th Floor, 10 Lower Thames Street and the Tokyo offices of the Japanese subsidiary

Equipment:	2011 £	2010 £
Within one year	28,979	-
Between one and five years	36,877	-
	65,856	-

This relates to office equipment of the Japanese subsidiary

At 31 December the Group had annual commitments under onerous leases expiring

Disaster recovery:	2011 £	2010 £
Within one year	359,884	392,648
Between one and five years	119,961	239,923
	479,845	632,571

This relates to the cost of a non-cancellable lease for disaster recovery expiring in 2013

Amounts due under finance leases and hire purchase contracts:	2011 £	2010 £
Within one year	100,818	25,302

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For the year ended 31 December 2011

24 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group undertakes transactions on behalf of certain directors and their close families The transactions are undertaken on a normal arm's length basis on the same terms available to other members of staff Amounts included in client balances at 31 December 2011 attributable, in aggregate, to key management were £48,509 (2010 £144,374) Amounts included in debtors at 31 December 2011 attributable, in aggregate, to key management were £242,254 (2010 £279,549) In addition, an amount of £230,820 71 (2010 £Nil) included in the creditor balances of the ultimate parent as at 31 December 2011, was attributable to key management

The Group also operates under a white label agreement with FXCM Limited Under this agreement trading income of £14,620,354 (2010 £5,753,466) was transferred to the Group Costs of £266,826 (2010 £66,706) were recharged to FXCM Limited and interest of £11,147 was paid to FXCM Holdings LLC (2010 £3,412) The balance of the intercompany with FXCM Limited, FXCM Holdings LLC and FXCM LLC at 31 December 2011 was £4,373,970 (2010 credit £15,444,784)

The Group has taken advantage of the exemption contained within FRS 8 and has not disclosed transactions with group companies There were no other related party transactions during the year

25 SHARE-BASED PAYMENTS

The Group gives to certain executives and employees of subsidiaries, the opportunity to acquire shares in the Group Whilst the Group has no cash or financial obligations to any party in respect of any shares granted by the Group, the services in return for which such shares are granted include services provided to those subsidiaries The purchase price is funded by a loan applied for the benefit of the relevant employees by an Employee Benefit Trust whose funds are provided by the Group There are no cash settlement alternatives

Although the employees become the beneficial owner of the Group's shares on the date of the grant, the employees will not be permitted to sell or charge the shares within the first three years from the date of the grant Until such time as employees have repaid the loan, the employees will not be entitled to exercise their votes in respect to the Group's shares Nor will they be entitled to receive dividends in cash until that time

The total charge for the year relating to the share-based payment plan is £Nil (2010 £Nil) as the fair value of the equity instruments at the date of the grant is equal to the purchase price paid by the employees

A table detailing the shares outstanding at 31 December is shown below

	2011 Shares	**2010 Shares**
Outstanding at 1 January	212,411	209,211
Granted during the year	-	3,200
Outstanding at 31 December	212,411	212,411

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26 ULTIMATE CONTROLLING PARTY AND PARENT UNDERTAKING

The immediate parent undertaking is FXCM Holding LLC

The ultimate parent undertaking and controlling party is FXCM Incorporated, a company listed on the New York Stock Exchange

27 FINANCIAL RISK MANAGEMENT

The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides an on-going assessment of the risks the Group believes have the potential to have a significant detrimental impact on its financial performance and future prospects and describes how the Group mitigates these risks subject to the Group's risk appetite

The Board of Directors sets the strategy and policies for the management of these risks and delegates the management and monitoring of these risks to the Risk Management, Executive, CASS, Remuneration and Audit Committees

Risks faced by the Group can be grouped into the following categories

- Credit risk
- Market risk
- Operational risk
- Regulatory risk
- Liquidity risk
- Group risk
- Strategic (or business) risk
- Reputational risk
- Country risk

Each of these risks and the controls around them are described below

Credit risk

The Group have credit risk arising from deposits held at credit institutions and other third party brokers and from credit extended to a few select clients There are strict controls around these risks. The Group also consider the impact of credit risk arising from client balances going into a negative position

Balances held with third party credit institutions

The Group's policy is to only deposit cash and asset (Client Money & Assets and Operational Money & Assets) balances with banks and custodians which have at least a credit rating equivalent to the FSA's Credit quality step 5 rating
The Group aim to deposit 75% of all funds (Client Money & Assets and Operational Money & Assets) with banks, clearers and custodians with credit ratings equivalent to the FSA's Credit quality step 3 and above

Diversification is a critical part of risk mitigation, therefore to protect Client Money and comply with Regulatory rules, the Group manage the risk of default or failure of a credit institution by aiming to keep no more than 40% of cash (Client Money and Operational Money) balances at a single depository institution.

Notes to the financial statements
For the year ended 31 December 2011

27 FINANCIAL RISK MANAGEMENT (continued)

Credit risk - ***Balances held with third party credit institutions*** **(continued)**

Investments of cash (Client Money and Operational Money) balances at third party institutions are targeted to have a fixed term of no greater than 14 days

All customer funds nominated for segregation are held in segregated bank accounts

A credit review process is carried out for all new counterparties and banks and approved by the Credit Committee and a credit review of all existing counterparties and banks is carried out annually Balances with counterparties are reconciled and settled daily

Credit extended to customers

The Group extends credit to certain select customers In relation to extension of credit to third parties, the Group's policy is not to extend more than $5m to any single counterparty or group of counterparties and the total exposure to all counterparties (collectively) to which credit is extended should not exceed $10m

A credit review process is carried out along with subsequent credit, profitability and risk reviews (which include background checks and credit rating checks), which are approved by the Credit Committee, to ensure that risks and returns are justified

Specific margining rules and credit limits are set and regularly reviewed by the Credit Committee and reported to the Board

Default on margin requirement

The Group also consider the possibility of risks that could arise if clients do not meet their margin requirement which would potentially expose the Group to credit risk in respect of the margin call The Group have a strict policy on this and clients' useable margins are not allowed to fall below zero If they breach their margin requirements, positions are automatically closed out with the exception of

- A select number of non-auto liquidated accounts where margin calls and liquidation of positions are performed manually, and
- The On-Exchange Desk where margin calls and liquidation of positions are performed manually

These policies and controls have proven effective in recent years even during the most extreme trading environments such as the recent turmoil in Japan that followed the earthquake

Historically, the occurrence of bad debts tended to be caused by specific weaknesses which have been addressed, rather than a lack of understanding of relevant risk or the means of measuring it During the last couple of years, a continued review of trade receivables and current assets and the management of credit risk was undertaken which resulted in the recoverability of certain receivables and assets being reassessed and credit controls being significantly strengthened

Notes to the financial statements
For the year ended 31 December 2011

27 FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is defined as the risk that exposures to market price fluctuations inherent in the positions held by the Group, are excessive in comparison with the capital held within the business such that an adverse move in the pricing of those positions, could cause a material loss to arise

The Group has signed Service Provider Agreements ("SPA") with Forex Capital Markets Limited ("FXCM LTD") under which client transactions in FX, CFDs and SBs are automatically hedged with FXCM LTD This ensures that market risk will be managed by FXCM LTD and FXCM LLC The Group does not take any market risk positions The On-Exchange broking business and single share CFDs are run as an agency only business No market positions are taken Trades are immediately offset with the relevant exchanges and thus there is no market risk

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events It includes legal risks, but does not include strategic(business) and reputational risks The Group seek to mitigate operational risk to acceptable residual levels

System failures

This loss event-type includes losses arising from disruption of business or system failures The Group's operations are exposed to technology risk relating to the trading platforms and internal systems This includes

- Platform errors,
- System outages,
- Failure of the system itself,
- IT technology that is insufficient for its intended purpose,
- Failure in the implementation of an IT strategy or specific IT projects, including the risk that an essential improvement to a system, will not deliver the functionality as expected or on time, and
- Breach in system security

The main controls that the Group have in place around system failure are

- The Group will draw on the FXCM Group's wider and more extensive IT resources including development and support The Group adopt FXCM Group's internal policies and control procedures to manage its technology risks This includes using several levels of redundancy to deal with different levels of software, hardware and infrastructure failure
- Moreover, the potential for platform and/or system failure is reduced in several ways Firstly, at a power, networking and storage later there is data centre level redundancy Secondly, there is a general policy to deploy products on at least two servers wherever possible, which minimises the risk that a platform would fail if a server were to fail Thirdly, data replication and infrastructure to support this is deployed on some mission critical levels across multiple data centres

Notes to the financial statements
For the year ended 31 December 2011

27 FINANCIAL RISK MANAGEMENT (continued)

Operational risk - ***System failures*** **(continued)**

- Dealers communicate with their server from the trading room via an encrypted point-to-point link All communications transmitted via the dealing room are encrypted using state of the art technology
- A contingency plan for the dealing operation is in effect at all times and can be implemented in different phases depending on the function that must be replaced The group's plan is outlined in the Business Continuity/Disaster Recovery ("BCDR") plan
- In case of loss of access, backups are performed Copies of the Group's system backups are replicated to the New Jersey Data Centre The Group stores copies of backups off-site

External fraud

Fraud is defined as a)dishonestly making a false representation to make a gain or to cause loss to another or to expose another to the risk of loss b)dishonestly failing to disclose to another person information which you are under legal duty to disclose with the intention of making a gain for yourself or another or to cause loss to another or to expose another to risk of loss or c) where a person occupies a position in which he is expected to safeguard or not to act against the financial interest of another person and dishonestly abuses that position

The Group employ a multi-layered policy to facilitate the development of controls that will aid in the detection and prevention of fraud against the Group It is the intent of the Group to promote consistent organisational behaviour by providing guidelines to relevant staff and the creation of controls for the detection of fraud Although the Firms have not suffered external fraud, the Board still perceives external fraud as a risk

The prevention of external fraud involves manual and built-in system features that are designed to detect fund activity that may not be consistent with the account holder's profile The Firms have further developed manual controls designed to identify potential fraud and other money laundering concerns associated with a periodic on-going review of clients that have been assigned a high risk designation

People risk

People risk is defined as the risk of

- the management of the Group become stretched and unable to operate efficiently,
- employment or workplace practices being inadequate for the purpose intended,
- the standard of employees within the Group is inadequate,
- recruitment policies within the Group being flawed,
- staff become ineffective or de-motivated,
- key staff leaving at short notice resulting in the loss of specific skills and knowledge,
- employees acting in a criminal or malicious way, and
- the business breaking health and safety regulations or employment law

Notes to the financial statements
For the year ended 31 December 2011

27 FINANCIAL RISK MANAGEMENT (continued)

Operational risk - *People risk* (continued)

The Group uses the following controls to measure and manage these risks

- the management structure is dictated by the Board, which appoints independent non-executive directors,
- the structure is layered involving board directors with responsibility for specific areas and a series of committees designed to ensure control procedures operate effectively, thus ensuring
- HR policies are in place and are communicated to all staff,
- staff are appraised on an semi-annual basis,
- staff training is recorded,
- HR staff are recruited with appropriate experience to ensure that all HR issues are handled in the right manner,
- staff are recruited in accordance with documented procedures, with references and credit checks taken on every occasion, and
- segregation of duties is embedded within the business

Legal and compliance risk

Legal and Compliance risk is defined as the risk of the Group

- breaking the law or not complying with regulations, industry requirements, ethical standards or industry prescribed practices, including treating customers fairly, either deliberately or accidentally because its understanding of the law or the regulations is incomplete or not up to date,
- breaching a law or a regulation relating to money laundering or other financial crimes, and
- failing to enforce a contractual obligation against a counterparty.

The Group manages these risks by utilising the following controls

- compliance staff are recruited with appropriate experience to ensure that compliance issues are handled promptly and correctly,
- professional advisers are utilised to ensure legal developments in all areas and amendments to regulatory requirements are identified and the appropriate action taken in good time,
- professional advisers are encouraged to be pro-active in highlighting legislative and regulatory developments, and
- the training of staff throughout the Group is continuous to ensure that they are enabled with the knowledge of all legislative and regulatory developments

Notes to the financial statements
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27 FINANCIAL RISK MANAGEMENT (continued)

Regulatory Risk

Regulatory risk is defined as the risk of the Group's non-compliance with regulatory requirements Regulatory risk could arise in several ways including

- Failure to submit regulatory returns,
- Failure to meet minimum capital requirements,
- Failure to maintain adequate systems and controls,
- Breaches of client money rules, and
- Data security breaches

The Group has a dedicated compliance framework and monitoring in place to ensure regulatory compliance

Liquidity risk

Liquidity risk is defined as the risk that a firm with positive net assets does not have sufficient financial resources at any one point to meet its obligations as they fall due, or can secure such resources only at excessive cost Typically, liquidity risks can arise from

- A mismatch between asset and liability flows,
- An inability to sell assets quickly,
- The extent to which assets have been pledged,
- The possible need to reduce large asset positions at different levels of market liquidity and the related potential costs and timing constraints, and
- The availability of and costs of emergency funding

In FX markets, liquidity management is a critical function The Group's most significant liquidity risk can arise from a mismatch between asset and liability flows Specifically, the Group may be exposed to risk in the event that the Group would have to meet their obligations to clients before they received settlement from their counterparties

The Group Boards believes that this liquidity risk is effectively controlled through the SPA with FXCM LTD In turn FXCM LTD liquidity risk is controlled through an SPA with FXCM LLC Although the Group will retain its obligations to clients and for clients' money, FXCM LLC will be the Group's single hedging and settlement counterparty for FX There should not be a significant mismatch

The Group's liquidity risk in other business lines is minimal

Overall, the level of risk specifically relating to liquidity is assessed as low Most of the scenarios where the Group would potentially suffer failure because of a lack of liquidity, would be from events relating to operational, credit and market risk. There is however the risk that events outside the control of the Group may impact on overall market liquidity There would in those circumstances be the need to raise additional funds to provide liquidity.

Notes to the financial statements
For the year ended 31 December 2011

27 FINANCIAL RISK MANAGEMENT (continued)

Group risk

Group risk is defined as the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group

The Group's group risk results from its reliance on other FXCM Group entities
- To provide, support and develop dealing and pricing systems (for FX only),
- To provide, support and develop other IT systems (e g back office systems),
- As hedging counterparty;
- To provide some administrative systems and support (e g account opening, and many legal, risk and compliance operations),
- To staff some management functions,
- To pay agreed revenue

It is recognised that without the on-going support of the FXCM Group, it would be difficult for the Group to continue to operate While the Group have separate trading lines set up with FX market makers, which could readily become active, the Group relies significantly on the FXCM Group for administrative and IT support If the FXCM Group were not capable of providing such support, the viability of the Group would be in jeopardy

The Firms control such risk by defining, recognising and monitoring standards of service through SPAs

Strategic (business) risk

Business risk is defined as any risk arising from changes in the business, including the risk that the strategy it has adopted being poorly executed or that it not being sufficient to cope with major changes in the constantly changing sector in which it operates, that prevents the firm from being able to carry out its business plan and desired strategy The Group's main business risk arises from a deterioration of business or economic conditions

The Boards believe that the Group manage their business risks adequately and effectively
The Group manage and control business risk in the following ways

- The existing STP model for FX trades, as well as no principal positions on On-Exchange business has geared the Groups' revenue generating model to operate as a fee based system,
- The Group's structure their business lines to operate with low overhead costs In the event of an economic downturn, the Group's will quickly adjust and continue to operate their business lines with limited operational costs, and
- The Group's business lines are diversified, allowing the Group to use the same system to access institutional/professional and retail markets alike
- The Group's corporate structure and the control framework that it has implemented mean that there are significant controls in place to ensure business decisions and their implementation are documented and communicated

Notes to the financial statements
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27 FINANCIAL RISK MANAGEMENT (continued)

Strategic (business) risk (continued)

- the Group is managed by the Board of ODL Group Limited The Board meets on a regular basis, at least every three months, with ad hoc meetings in between to discuss specific issues The Board sets the strategic direction of the Group The Chairman of the Board of ODL Group Limited is also on the board of FXCM Holdings LLC,
- beneath the subsidiary companies' Boards sit a number of additional committees which cover various aspects of the operation of the business These committees ensure that the strategy is followed and that anything of significant magnitude or importance that may have an impact on the strategy of the business is reported to the Board in an efficient and timely manner,
- key elements of the Group's risk control, including a high level framework in the form of the Risk Register, are documented

Reputational risk

Reputational risk is the risk that an action, event or situation may adversely impact the Group's reputation The reputation allied with goodwill that a business has in the sector that the Group operates is important to the future profitability of the business A sudden loss of reputation, for whatever reason, could have an impact on the profitability of a company

The vast majority of reasons why a business could suffer damage to its reputation arise from the risks covered above and thus the controls adopted to manage such risks also protect the Group's reputation There are obviously risks in addition to those set out above, including those external to the Group itself, which could damage the reputation of the Group so that it suffers a material loss Examples of such risks could be a major fraud occurring at a direct competitor, bringing the industry into disrepute or the arrest of a senior executive for a non-business related crime

These types of risk are virtually impossible to manage prior to an event taking place Limiting the damage to the Group's reputation should such an event occur, therefore would be the major focus of reputation risk management

The assessment of its reputational risk exposure is that the Group's main exposure to reputational risk lies in events which would impact the industry in general Whilst Public Relations activity and communication with clients would be used to limit the damage should such an event take place, there is a limit to which the risk of loss can be mitigated

Country (concentration) risk

Country (concentration) risk refers to the risk of loss arising from concentration of exposure in terms of geographical distribution of revenues, product type, counterparty or event. The Group's concentration risk surrounding the geographical distribution of products and revenues is minimal given the current client makeup

The Group's clients are both individuals and institutions/professionals from over 95 countries.