

Company Number: 06925128

FxPro UK Limited
Annual report and financial statements
Year ended 31 December 2010

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FxPro UK Limited

Annual report and financial statements 31 December 2010

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FxPro UK Limited

Board of Directors and other officers

Board of Directors

Martin Couper (appointed 29 September 2010)
Charalambos Psimolophitis (appointed 19 August 2009)
George Xydias (appointed 19 August 2009)
Avril Millar (Non-Executive) (appointed 29 September 2010)
Simon Dodkin (appointed 29 September 2010, resigned 25 February 2011)
Nicholas Ray Heather (appointed 5 June 2009, resigned 19 August 2009)
Oliver Riley (appointed 5 June 2009, resigned 19 August 2009)

Company Secretary

Lawrence Graham LLP (appointed 5 June 2009)
4 More London
Riverside
SE1 2AU
UK

Registered office

13-14 Basinghall Street
EC2V 5BQ London
UK

FxPro UK Limited

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited financial statements of FxPro UK Limited (the "Company") for the year ended 31 December 2010

Incorporation

2 The Company was incorporated in the UK on 5 June 2009 as a limited liability company

Principal activities

3 The Company is an online financial services entity and acts as the UK agent for its parent company FxPro Financial Services Limited (the "Parent"), which is the principal and market maker to its customers in derivatives comprising Contracts For Differences ("CFDs") on currency pairs, gold, stocks, indices and commodities. The revenue of the Company is mainly derived from commission income on online foreign exchange trading and is recognised by reference to the trades placed with the parent company and calculated as a percentage on the economic value of the transaction. The Company was not fully active during the year ended 31 December 2010.

4 During the year the company decided to proceed with an application to the UK Financial Services Authority ("FSA") for obtaining a license for Arranging of Deals. Authorisation was granted on 10 September 2010 under the license no 509956.

Review of developments, position and performance of the Company's business

5 The income of the Company, for the year ended 31 December 2010 was £21,724 (period ended 31 December 2009 Nil). The net loss of the Company for the year was £32,672 (period ended 31 December 2009 Nil). On 31 December 2010 the total assets of the Company were £398,497 (2009 £1) and its net assets were £267,328 (2009 £1). The Company's Key Performance Indicators ("KPIs"), which management monitors the business and its performance, are the volume of trading placed with the Parent, as such the commission income received, and profitability. Management considers the Company's performance and financial position as at 31 December 2010 to be satisfactory.

Principal risks and uncertainties

6 The Company's activities, as outlined above, expose it to a variety of financial, operational, compliance, litigation and reputation risks. Each principal risk and how this is assessed and managed is outlined below with the exception of the financial risks and uncertainties which are outlined in Note 3 of the financial statements. The Company's capital requirements are calculated in accordance with the FSA regulations. The capital of the Company is monitored regularly in light of any potential changes within the business.

7 Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and systems' control as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously. Separation of power and authority regarding vital functions of the Company exists and the Board reviews any decisions made by management and monitors their activities. The Company's operations are also closely dependent on information technology and any damage or failure of the systems would place the Company at significant risk. The Company has recovery programmes and backup systems in place in

FxPro UK Limited

Report of the Board of Directors (continued)

Principal risks and uncertainties (continued)

order to be able to carry on its core operations. The Company also mitigates any risk from failure of third party providers such as data suppliers, market information, telephone and internet access by ensuring it has multiple providers for each service. The Company also pro-actively improves and renews systems in order to ensure no failures or damages occur. Regular internal audit visits are performed to ensure that employees comply with the Company's internal procedures.

8 Compliance risk is the risk of financial loss, including fines and other penalties, which may arise from non-compliance with laws and regulations. The Company is authorised and regulated by the FSA. Any changes in the regulatory framework and directives relating to the Company's services and operations model could expose the Company to considerable risk. As the Company's operations expand and become more complex the Company will need to provide training and employ new high calibre employees to meet these regulatory demands. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

9 Litigation risk is the risk of financial loss, interruption of the Company's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Company to execute its operations. The Company obtains continuous legal advice on the preparation of its legal documents.

10 Reputation risk is the risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether justified or unjustified) that may result in a reduction of its clientele, reduction in revenue and legal claims against the Company. A comprehensive business contingency and disaster recovery plan has been prepared with recovery procedures and actions to be followed in the case of damage to any vital part of the Company's structure.

Capital adequacy

11 The company is required by the FSA to prepare an Internal Capital Adequacy Assessment Programme ("ICAAP") to model the impact of various material risks in the business on the company's capital and to calculate what level of additional capital the company should hold over and above the capital requirements of BIPRU and GENPRU, which is referred to as the Pillar 2 requirement. The ICAAP is reviewed quarterly by the Board and is approved by the Board at least annually.

12 At the balance sheet date the company held regulatory capital resources of £267,328 which comprise solely of Tier 1 Capital (issued share capital and audited reserves). The Pillar 1 capital requirements were met by the appropriate Pillar 1 capital and it was assessed that there was no additional capital requirement under Pillar 2 as at the financial position date. The capital resources are considered adequate to continue to finance the Company over the next year as the Company's ICAAP process did not identify capital to be held over and above the Pillar 1 requirement. The board does not consider that additional capital injections are necessary.

FxPro UK Limited

Report of the Board of Directors (continued)

Remuneration policy

13 The Company employed 6 staff at the end of 2010 (2009: 2 staff), in positions whereby they contribute directly to the earning of revenue. The Company seeks to employ and retain high calibre staff. To retain flexibility, incentivise staff and protect the company's earnings, a significant proportion of total annual compensation is made in the form of variable bonuses linked to their performance.

14 The principles of the Company's remuneration policy adhere to the FSA's Remuneration Code which was introduced with effect from 1 January 2011. The company's policy is to ensure that executive rewards are linked to performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at an artificially low level. The Company operates a discretionary bonus policy directly correlated to annual profitability of the company.

Future developments of the Company

15 The Board of Directors expects that the Company will assist the Parent's strategy to expand its presence in the UK market.

Results and dividends

16 The Company's results for the year ended 31 December 2010 are shown on page 9. No dividends were proposed and the loss for the year is carried forward.

Share capital

17 On 5 June 2009 (date of incorporation), the Board of Directors resolved to issue 1 share of £1.

18 On 7 September 2010, the Board of Directors resolved to issue 299,999 shares of £1 per share.

Board of Directors

19 The members of the Board of Directors at 31 December 2010 and at the date of this report are shown on page 1. Mr Nicholas Ray Heather and Mr Oliver Riley were appointed on 5 June 2009 (date of incorporation) and resigned on 19 August 2009. Mr Martin Couper and Ms Avril Millar were appointed on 29 September 2010 and Mr Charalambos Psimolophitis and Mr George Xydias were appointed on 19 August 2009. Mr Simon Dodkin, appointed 29 September 2009 and held office during the period, resigned on 25 February 2011.

20 In accordance with the Company's Articles of Association, none of the Directors retire at the next Annual General Meeting.

21 At the date of this report and for the year ended 31 December 2010, there were no qualifying indemnity provisions or qualifying pension scheme indemnity provisions in place for any Director mentioned above.

FxPro UK Limited

Report of the Board of Directors (continued)

Board of Directors (continued)

22 At the date of this report and for the year ended 31 December 2010, the Directors of the Company did not hold any shares in the Company

Events after the balance sheet date

23 There were no material post balance sheet events, which have a bearing on the understanding of the financial statements

Branches

24 The Company did not operate through any branches during the year ended 31 December 2010

Statement of disclosure of information to auditors

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

26 The UK Company Law requires the Directors to prepare financial statements for each financial year. Under that Law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). Under the UK 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.

27 In preparing these financial statements, the Directors are required to select suitable accounting policies and then apply them consistently, to make judgements and accounting estimates that are reasonable and prudent, to state whether applicable International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") have been followed, subject to any material departures disclosed and explained in the financial statements, and to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

28 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 UK 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.

29 In accordance with Section 418, Directors' confirm that, in the case of each director in office at the date the directors' report is approved, that so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

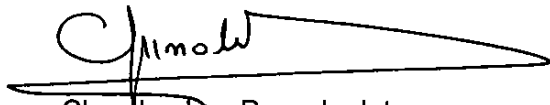
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Report of the Board of Directors (continued)

Independent Auditors

30 The Independent Auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'C. Psimolophitis', with a long horizontal stroke extending to the right.

Charalambos Psimolophitis
Director

London, 4 May 2011

FxPro UK Limited

Independent Auditor's Report To the Members of FxPro UK Limited

We have audited the financial statements of FxPro UK Limited for the year ended 31 December 2010 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU")

Respective responsibilities of directors and auditors

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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the UK Companies Act 2006

FxPro UK Limited

Opinion on other matters prescribed by the UK 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 UK 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

4 May 2011

Vassilios Vrachimis(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London, 4 May 2011

FxPro UK Limited

Statement of comprehensive income for the year ended 31 December 2010

	Note	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Service charge fee	4	21,724	-
Administrative expenses	5	(54,396)	-
Loss before tax		(32,672)	-
Income tax expense	7	-	-
Loss and total comprehensive loss for the year/period		(32,672)	-

All of the Company's results relate to continuing operations

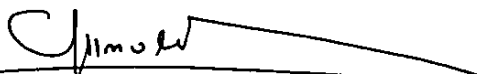
The notes on pages 13 to 28 are an integral part of these financial statements

FxPro UK Limited

Statement of financial position at 31 December 2010

	Note	2010 £	2009 £
Assets			
Non-current assets			
Property, plant and equipment	10	638	-
Intangible assets	11	946	-
		<u>1,584</u>	<u>-</u>
Current assets			
Trade and other receivables	12	21,724	-
Cash and cash equivalents	13	375,189	1
		<u>396,913</u>	<u>1</u>
Total assets		<u>398,497</u>	<u>1</u>
Equity and liabilities			
Capital and reserves			
Share capital	14	300,000	1
Accumulated losses		(32,672)	-
Total equity		<u>267,328</u>	<u>1</u>
Non-current liabilities			
Borrowings	15	100,000	-
Current liabilities			
Trade and other payables	16	31,169	-
Total liabilities		<u>131,169</u>	<u>-</u>
Total equity and liabilities		<u>398,497</u>	<u>1</u>

On 4 May 2011 the Board of Directors of FxPro UK Limited (Company Number 06925128) authorised these financial statements for issue


Charalambos Paimolophitis, Director


George Xydias, Director

The notes on pages 13 to 28 are an integral part of these financial statements

FxPro UK Limited

Statement of changes in equity for the year ended 31 December 2010

	Note	Share capital £	Accumulated losses £	Total £
Balance at 5 June 2009 (date of incorporation)		1	-	1
Transactions with owners - issue of shares	14	<u>1</u>	<u>-</u>	<u>1</u>
Balance at 31 December 2009/1 January 2010		<u>1</u>	<u>-</u>	<u>1</u>
Comprehensive income		-	(32,672)	(32,672)
Loss for the year		<u>-</u>	<u>(32,672)</u>	<u>(32,672)</u>
Transactions with owners				
Issue of shares	14	299,999	-	299,999
Balance at 31 December 2010		<u>300,000</u>	<u>(32,672)</u>	<u>267,328</u>

The notes on pages 13 to 28 are an integral part of these financial statements

FxPro UK Limited

Statement of cash flows for the year ended 31 December 2010

	Note	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Cash flows from operating activities			
Loss before tax		(32,672)	-
Changes in working capital			
Trade and other receivables		(21,724)	-
Trade and other payables		31,169	-
Cash used in operations		(23,227)	-
Tax paid		-	-
Net cash used in operating activities		(23,227)	-
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(638)	-
Purchase of intangible assets	11	(946)	-
Net cash used in investing activities		(1,584)	-
Cash flows from financing activities			
Issue of share capital	14	299,999	1
Borrowings advanced from related parties	15	100,000	-
Net cash from financing activities		399,999	1
Net increase in cash and cash equivalents		375,188	1
Cash and cash equivalents at beginning of year/period		1	-
Cash and cash equivalents at end of year/period	13	375,189	1

The notes on pages 13 to 28 are an integral part of these financial statements

FxPro UK Limited

Notes to the financial statements

1 General information

Country of incorporation

FxPro UK Limited (the "Company") is incorporated and domiciled in the UK as a private company with limited liability under the UK Company Law. Its registered office is at 13-14 Basingale Street, EC2V 5SB, London, UK.

Principal activities

The Company is an online financial services entity and acts as the UK agent for its parent company FXPro Financial Services Limited (the "Parent"), which is the principal and market maker to its customers in derivatives comprising Contracts For Differences ("CFDs") on currency pairs, gold, stocks, indices and commodities. The revenue of the Company is predominantly derived from commission income on online foreign exchange trading and is recognised by reference to the trades placed with the parent company and calculated as a percentage on the economic value of the transaction.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), and the requirements of the UK Company Law.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") that are effective as of 1 January 2010 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

Adoption of new and revised IFRSs

During the year ended 31 December 2010 the Company adopted all the new and revised International Financial Reporting Standards ("IFRS") that are relevant to its operations and are effective for accounting periods beginning on 1 January 2010. This adoption did not have a material effect on the accounting policies of the Company.

FxPro UK Limited

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

At the date of approval of these financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective

(i) Adopted by the European Union

New standards

- IAS 24 (Revised) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011)

Amendments

- Amendments to IAS 32 "Financial Instruments Presentation Classifications of Rights Issues" (effective for annual periods beginning on or after 1 February 2010)
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters" (effective for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011)

New IFRICs

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010)

(ii) Not adopted by the European Union

New standards

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013)

Amendments

- Annual Improvements 2010 (effective for annual periods beginning on or after 1 July 2010 to 1 January 2011)
- Amendments to IFRS 7 "Financial Instruments Disclosures" (effective for annual periods beginning on or after 1 July 2011)
- Amendment to IAS 12 "Income Taxes" (effective for annual periods beginning on or after 1 January 2012)
- Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 July 2011)

FxPro UK Limited

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

Amendments (continued)

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company, with the exception of the following

- (i) IFRS 9 "Financial instruments" This standard is the first step in the process to replace IAS 39 "Financial instruments recognition and measurement" IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets The standard is not applicable until 1 January 2013 and has not yet been endorsed by the European Union The Company is yet to assess the full impact of IFRS 9
- (ii) IAS 24 (Revised) "Related party disclosures" The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities The Company will apply the standard from 1 January 2011 When the revised standard is applied, the Company will need to disclose any transactions between its subsidiaries and its associates The Company is currently putting systems in place to capture the necessary information It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures

Revenue recognition

Revenue earned by the Company is recognised on the following bases

(i) Service charge fee

The Company provides a number of services to the Parent in relation to the research team which is based in London as well as the use of the premises by the Parent To this effect there is a fixed percentage proportional recharge of administrative expenses incurred to the Parent, including payroll and rent expenses

(ii) Commission income

The Company also receives commission from the Parent from all the UK clients trading activity The commission is calculated on a monthly basis based on the trading volume of the UK clients and the weighted average spread earned from the Parent 50% of all spread income received from UK clients is received by the Company as commission The Company has not earned any commission income during the year

Foreign currency translation

(i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") The financial statements are presented in Sterling Pound (£), which is the Company's functional and presentation currency

FxPro UK Limited

2 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Current and deferred tax

Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial position date in the UK. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributed to the acquisition of property, plant and equipment. Depreciation on property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

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2 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

	2010 %
Office equipment	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The respective impairment charge is recognised within administration expenses in profit or loss. Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it was incurred. The cost of major renovations and other subsequent expenditure is included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Intangible asset

Purchased software is recognised as an intangible asset at cost when acquired. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use,
- management intends to complete the software product and use or sell it,
- there is an ability to use or sell the software product,
- it can be demonstrated how the software product will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available, and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives. Computer software is included in intangible assets in the statement of financial position.

FxPro UK Limited

2 Summary of significant accounting policies (continued)

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other current receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

FxPro UK Limited

2 Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year period or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and deposits held at call with banks.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

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3 Financial risk management

The financial risk management of the Company is carried out by the parent company, FXPro Financial Services Limited (the "Parent"), Risk Management Committee (the "Committee")

The primary objective of the Committee is to oversee the overall management of all risks including market risk, credit risk and liquidity risk. It also has the responsibility to review and recommend the risk management policies, set the risk tolerance limits and ensure infrastructure, resources and systems are in place for risk management.

The Committee is primarily responsible for the effective and optimum operation of the risk management function within the Company including assessment and recommendation of risk management strategies and policies to be submitted to the Board for approval.

The Committee is also in charge of the risk management governance and the organisational structure of the Company. It has to ensure the existence of clear and independent reporting lines and responsibilities for the overall business activities and risk management functions, as well as institute an independent review of the Company's risk management infrastructure, capabilities, environment and processes.

Additionally, the Committee is responsible to evaluate the risk management processes, systems and internal controls and review whether the risk exposures are in line with the risk management strategy. It is also responsible to review the adequacy of tools, systems and resources for the successful execution of risk functions within the Company and evaluate contingency plans for dealing with various extreme internal/external events and disasters.

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk, which arises primarily with respect to the Euro, derives from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

No sensitivity analysis is presented for foreign exchange risk as the impact of reasonably possible foreign exchange movements on the Company's post-tax profit are not significant to the Company's financial performance and position.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(b) Credit risk

Credit risk is the risk of loss that the Company would incur if the counterparty in a transaction failed to perform its contractual obligations.

Credit risk arises from deposits with banks and financial institutions, as well as from outstanding receivables. For banks and financial institutions, only parties whom management has internally assessed as financially healthy and stable are accepted. If there is no independent rating, the Committee assesses the credit quality of the counterparty, taking into account its financial position, past experience and other factors.

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3 Financial risk management (continued)

3.1 Financial risk factors

(b) Credit risk (continued)

The maximum exposure to credit risk at the balance sheet dates is presented in the table below

	2010 £	2009 £
Credit risk by category		
Trade and other receivables	21,724	-
Cash and cash equivalents	375,189	1
	<u>396,913</u>	<u>1</u>

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties. For further details on credit risk, refer to Note 9

(c) Liquidity risk

The finance department monitors rolling forecasts of the Company's liquidity requirements based on expected cash flows in order to ensure it has sufficient cash to meet its operational needs, under both normal circumstances and stressed conditions

Surplus cash held by the Company over and above the balance required for working capital management are deposited in interest bearing accounts and short term time deposits, choosing deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above mentioned forecasts

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

	Up to 1 month £	Between 2- 5 years £
31 December 2010		
Trade and other payables	31,169	-
Borrowings	-	100,000
	<u>-</u>	<u>100,000</u>
	Up to 1 month £	Between 2- 5 years £
31 December 2009		
Trade and other payables	-	-
Borrowings	-	-
	<u>-</u>	<u>-</u>

Management maintains flexibility in funding by maintaining availability of cash and cash equivalent reserves

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4 Service charge fee

	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Intercompany service charge fee (Note 17)	<u>21,724</u>	<u>-</u>

5 Expenses by function and nature

	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Administrative expenses		
Property rates and insurance	11,174	-
Auditors' remuneration	9,000	-
Other expenses	7,934	-
Staff costs	26,288	-
	<u>54,396</u>	<u>-</u>

6 Staff costs

	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Wages and salaries	2,718	-
Directors' remuneration (Note 17)	23,570	-
	<u>26,288</u>	<u>-</u>

The average number of employees during the year ended 31 December 2010 was 6
(2009 2)

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7 Income tax expense

	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Current tax charge		
Corporation tax	-	-

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the applicable tax rates as follows

	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Loss before tax	(32,672)	-
Tax calculated at the applicable corporate tax rates of 21%	(6,861)	-
Impact of losses carried forward for which no deferred tax asset is recognised	6,861	-
Income tax expense	-	-

The Company is subject to corporation tax on taxable profits at the rate of 21%

A potentially recognisable deferred tax asset of £6,861 has not been recognised on the basis that it is not probable that profits will be available in the future against which it can be utilised

8 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below

	2010 £	2009 £
Loans and receivables		
Assets as per balance sheet		
Trade and other receivables	21,724	-
Cash and cash equivalents	375,189	1
	<u>396,913</u>	<u>1</u>
Other financial liabilities		
Liabilities as per balance sheet		
Trade and other payables	31,169	-
Borrowings	100,000	-
	<u>131,169</u>	<u>-</u>

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9 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates

	2010 £	2009 £
Fully performing other receivables		
Counterparties without external credit rating		
Group 1	21,724	-
	<u> </u>	<u> </u>
Cash at bank and short-term bank deposits		
Aa2	375,189	1
	<u> </u>	<u> </u>

Group 1 – receivable from parent company, with no history of default in the past

None of the financial assets that are fully performing has been renegotiated in the last year and no balance that is past due or impaired exists. No collaterals are held for the financial assets disclosed above.

10 Property, plant and equipment

	Office equipment £	Total £
Cost		
At 5 June 2009 (date of incorporation)	-	-
Additions	-	-
	<u> </u>	<u> </u>
At 31 December 2009	-	-
Additions	638	638
	<u> </u>	<u> </u>
At 31 December 2010	638	638
	<u> </u>	<u> </u>
Depreciation		
At 5 June 2009 (date of incorporation)	-	-
Charge for the year	-	-
	<u> </u>	<u> </u>
At 31 December 2009	-	-
Charge for the year	-	-
	<u> </u>	<u> </u>
At 31 December 2010	-	-
	<u> </u>	<u> </u>
Carrying amount		
At 31 December 2010	638	638
	<u> </u>	<u> </u>
At 31 December 2009	-	-
	<u> </u>	<u> </u>

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11 Intangible assets

	Computer software £	Total £
Cost		
At 5 June 2009 (date of incorporation)	-	-
Additions	-	-
	<u>-</u>	<u>-</u>
At 31 December 2009	-	-
Additions	946	946
	<u>946</u>	<u>946</u>
At 31 December 2010	<u>946</u>	<u>946</u>
Amortisation		
At 5 June 2009 (date of incorporation)	-	-
Charge for the year	-	-
	<u>-</u>	<u>-</u>
At 31 December 2009	-	-
Charge for the year	-	-
	<u>-</u>	<u>-</u>
At 31 December 2010	<u>-</u>	<u>-</u>
Carrying amount		
At 31 December 2010	<u>946</u>	<u>946</u>
At 31 December 2009	<u>-</u>	<u>-</u>

12 Trade and other receivables

	2010 £	2009 £
Receivable from related parties (Note 17)	<u>21,724</u>	<u>-</u>

The fair values of trade and other receivables on 31 December 2009 and 31 December 2010 approximate their current values

13 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the balance sheet and the statement of cash flows

	2010 £	2009 £
Cash at bank and in hand	75,189	-
Short-term bank deposits	300,000	1
	<u>375,189</u>	<u>1</u>

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14 Share capital

	Number of shares	Share capital £	Total £
Balance at 5 June 2009 (date of incorporation) – Issued and fully paid shares during the period	1	1	1
Balance at 31 December 2009/1 January 2010	<u>1</u>	<u>1</u>	<u>1</u>
Issued and fully paid shares during the year	299 999	299,999	299,999
Balance at 31 December 2010	<u>300 000</u>	<u>300,000</u>	<u>300,000</u>

The total authorised number of ordinary shares as at 31 December 2010 was 300 000 (2009 100) with a par value of £1 per share

15 Borrowings

	2010 £	2009 £
Non-current		
Loan payable to parent undertaking (Note 17)	<u>100,000</u>	<u>-</u>
Maturity of non-current		
Between 2 and 5 years	<u>100,000</u>	<u>-</u>

The Company's borrowings were provided in 1 September 2010, are denominated in Euro, are not secured and are due for repayment in September 2015. The borrowings are interest free until 31 March 2011 and thereafter bear interest at 5% per annum.

The fair value of borrowings on 31 December 2010 approximate their carrying amount at the statement of financial position date.

16 Trade and other payables

	2010 £	2009 £
Payable to related parties (Note 17)	21,066	-
Other payables	10,103	-
	<u>31,169</u>	<u>-</u>

The fair value of trade and other payables on 31 December 2010 approximate their carrying amount at the statement of financial position date.

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17 Related party transactions and ultimate parent undertaking

The Company is directly controlled by FxPro Financial Services Limited, registered in Cyprus, which owns 100% of the company's shares. The ultimate controlling company is FxPro Group Limited, registered in Guernsey, which is controlled by a number of individuals, none of whom maintains a controlling interest over the Company. Copies of FxPro Group Limited financial statements can be obtained from the Company Secretary at PO Box 186, 1 Le Marchant Street, St Peter Port, GY1 4HP, Guernsey.

The following transactions were carried out with related parties:

(i) Key management personnel compensation

The compensation of key management personnel and the close members of their family is as follows:

	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Salaries and other short-term employee benefits (Note 6)	<u>23,570</u>	<u>-</u>

(ii) Directors' remuneration

The total remuneration of the Directors (included in key management personnel compensation above) was as follows:

	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Fees (Note 6)	<u>23,570</u>	<u>-</u>

	Year ended 31 December 2010 £	Period ended 31 December 2009 £
Highest paid director		
Total amount of emoluments and amounts receivable under long-term incentive schemes	<u>10,218</u>	<u>-</u>

(iii) Year-end balances

	2010 £	2009 £
Receivable from parent company (Note 12)	<u>21,724</u>	<u>-</u>
Payable to parent company (Note 16)	<u>21,066</u>	<u>-</u>

The above receivables/payable balances bear no interest, are not secured and receivable/payable on demand.

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17 Related party transactions and ultimate parent undertaking (continued)

(iv) Borrowings from related parties

	2010	2009
	£	£
Borrowings from parent company (Note 15)	<u>100,000</u>	<u>-</u>

The Company's borrowings were provided in 1 September 2010, are denominated in Euro, are not secured and are due for repayment in September 2015. The borrowings are interest free until 31 March 2011 and thereafter bear interest at 5% per annum.

18 Events after the balance sheet date

There were no material post balance sheet events, which have a bearing on the understanding of these financial statements.

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