

Company number: 06925128

**FxPro UK Limited**  
Annual report and financial statements  
Year ended 31 December 2011

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## **FXPro UK Limited**

### **Annual report and financial statements 31 December 2011**

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## **FXPro UK Limited**

### **Board of Directors and other officers**

#### **Board of Directors**

Martin Couper  
Charalambos Psimolophitis  
George Xydias (resigned 30 March 2012)  
Avril Millar (Non-Executive)  
Simon Dodkin (resigned 24 January 2011)

#### **Company Secretary**

Lawrence Graham LLP  
4 More London  
Riverside  
SE1 2AU  
UK

#### **Registered office**

13-14 Basinghall Street  
EC2V 5BQ London  
UK

#### **Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT  
UK

## **FXPro UK Limited**

### **Report of the Board of Directors**

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 2011

#### **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"), a company incorporated in Cyprus which is the principal and market maker to its customers in derivatives comprising Contracts For Differences ("CFDs") on currency pairs, stocks, indices and commodities. The revenue of the Company is mainly derived from commission income on online CFDs trading, which is recognised by reference to the total trading volume from all the UK clients trading activity and from service charge fee received from its Parent.

The Company operates under the license no 509956 granted by the UK Financial Services Authority ("FSA") for Arranging of Deals.

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

The income of the Company for the year ended 31 December 2011 was £1,091,065 (2010: £21,724). The net profit of the Company for the year was £286,634 (2010: loss £32,672). On 31 December 2011 the total assets of the Company were £759,141 (2010: £398,497) and its net assets were £553,962 (2010: £267,328). 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 2011 to be satisfactory.

#### **Principal risks and uncertainties**

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.

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 order to be able

## **FXPro UK Limited**

### **Report of the Board of Directors (continued)**

#### **Principal risks and uncertainties (continued)**

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.

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.

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.

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 management**

The Company is not required by the FSA to prepare an Internal Capital Adequacy Assessment Programme ("ICAAP").

At the balance sheet date the Company held regulatory capital resources of £553,962 which comprise solely of issued share capital and audited reserves. The capital resources are considered adequate to continue to finance the Company over the next year. The board does not consider that additional capital injections are necessary.

#### **Remuneration policy**

The Company employed 6 staff at the end of 2011 (2010: 6 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.

## **FXPro UK Limited**

### **Report of the Board of Directors (continued)**

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**

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

#### **Results and dividends**

The Company's results for the year ended 31 December 2011 are shown on page 8. No dividends were proposed and the profit for the year is retained.

#### **Share capital**

There were no changes in the share capital of the Company during the year.

#### **Board of Directors**

The members of the Board of Directors at 31 December 2011 and at the date of this report are shown on page 1. Mr Simon Dodkin resigned on 24 January 2011 and Mr George Xydas resigned on 30 March 2012.

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

At the date of this report and for the year ended 31 December 2011, there were no qualifying indemnity provisions or qualifying pension scheme indemnity provisions in place for any Director mentioned above.

At the date of this report and for the year ended 31 December 2011, the Directors of the Company did not hold any shares in the Company.

#### **Events after the balance sheet date**

Mr George Xydas resigned from his position as executive director of the Company on 30 March 2012.

There were no other post balance sheet events that require adjustments or disclosure in these financial statements.

#### **Branches**

The Company did not operate through any branches during the year ended 31 December 2011.

## **FXPro UK Limited**

### **Report of the Board of Directors (continued)**

#### **Statement of disclosure of information to auditors**

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

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 year.

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.

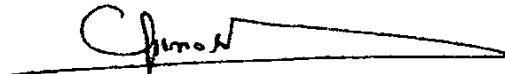
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the UK Companies 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.

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.

#### **Independent Auditors**

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**



Charalambos Psimolophitis  
Director

London, 20 April 2012

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## **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 2011 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 2011 and of its profit 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

*20 April 2012*

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

London, 20 April 2012

## **FXPro UK Limited**

### **Statement of comprehensive income for the year ended 31 December 2011**

		<b>Year ended 31 December 2011 £</b>	<b>Year ended 31 December 2010 £</b>
	<b>Note</b>		
Revenue	4	1,091,065	21 724
Administrative expenses	5	(708,252)	(54 396)
<b>Profit/(loss) before tax</b>		<b>382,813</b>	<b>(32 672)</b>
Income tax expense	7	(96,179)	-
<b>Profit/(loss) after tax and total comprehensive profit/(loss) for the year</b>		<b>286,634</b>	<b>(32,672)</b>

All of the Company's results relate to continuing operations

The notes on pages 12 to 28 are an integral part of these financial statements

# FXPro UK Limited

## Statement of financial position at 31 December 2011

	Note	2011 £	2010 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	3,836	638
Intangible assets	11	1,381	946
		<u>5,217</u>	<u>1,584</u>
<b>Current assets</b>			
Trade and other receivables	12	435,780	21,724
Cash and cash equivalents	13	318,144	375,189
		<u>753,924</u>	<u>396,913</u>
<b>Total assets</b>		<u>759,141</u>	<u>398,497</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	14	300,000	300,000
Retained earnings/(accumulated losses)		253,962	(32,672)
<b>Total equity</b>		<u>553,962</u>	<u>267,328</u>
<b>Non-current liabilities</b>			
Borrowings	15	100,000	100,000
<b>Current liabilities</b>			
Trade and other payables	16	9,000	31,169
Income tax liability		96,179	
<b>Total liabilities</b>		<u>205,179</u>	<u>131,169</u>
<b>Total equity and liabilities</b>		<u>759,141</u>	<u>398,497</u>

On 20 April 2012 the Board of Directors of FxPro UK Limited (Company Number 06925128) authorised these financial statements for issue

  
Charalambos Psimadopoulos, Director

  
Martin Couper, Director

The notes on pages 12 to 28 are an integral part of these financial statements

## FXPro UK Limited

### Statement of changes in equity for the year ended 31 December 2011

	Note	Share capital £	Retained earnings/ (Accumulated losses) £	Total £
Balance at 1 January 2010		1	-	1
Transactions with owners - issue of shares	14	299,999	-	299,999
Loss for the year		-	(32,872)	(32,872)
<b>Balance at 31 December 2010/1 January 2011</b>		<b>300,000</b>	<b>(32,672)</b>	<b>267,328</b>
<b>Comprehensive income</b>				
Profit for the year		-	286,634	286,634
<b>Balance at 31 December 2011</b>		<b>300,000</b>	<b>253,962</b>	<b>553,962</b>

The notes on pages 12 to 28 are an integral part of these financial statements.

# FXPro UK Limited

## Statement of cash flows for the year ended 31 December 2011

	Note	Year ended 31 December 2011 £	Year ended 31 December 2010 £
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		382,813	(32,672)
Changes in working capital			
Trade and other receivables		(414,056)	(21,724)
Trade and other payables		(22,169)	31,169
Cash used in operations		(53,412)	(23,227)
Tax paid		-	-
Net cash used in operating activities		(53,412)	(23,227)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(3,198)	(638)
Purchase of intangible assets	11	(435)	(946)
Net cash used in investing activities		(3,633)	(1,584)
<b>Cash flows from financing activities</b>			
Issue of share capital	14	-	299,999
Borrowings advanced from related parties	15	-	100,000
Net cash from financing activities		-	399,999
Net (decrease)/ increase in cash and cash equivalents		(57,045)	375,188
Cash and cash equivalents at beginning of year/period		375,189	1
Cash and cash equivalents at end of year/period	13	318,144	375,189

The notes on pages 12 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 5BQ, 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"), a company incorporated in Cyprus which is the principal and market maker to its customers in derivatives comprising Contracts For Differences ("CFDs") on currency pairs, stocks, indices and commodities. The revenue of the Company is mainly derived from commission income on online CFDs trading, which is recognised by reference to the total trading volume from all the UK clients trading activity and from service charge fee received from its Parent

The Company operates under the license no. 509956 granted by the UK Financial Services Authority ("FSA") for Arranging of Deals

### **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 and on the going concern basis which assumes that the Company will remain in existence for the foreseeable future

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.

#### **Adoption of new and revised IFRSs**

During the year ended 31 December 2011 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 2011. 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**

##### **Amendments**

- Amendments to IFRS 7 "Financial Instruments Disclosures" (effective for annual periods beginning on or after 1 July 2011)

#### **(ii) Not adopted by the European Union**

##### **New standards**

- IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015)
- IFRS 10, "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013)
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013)
- IFRS 12 "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013)
- IAS 27 "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013)
- IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013)

##### **Amendments**

- 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)
- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)

## **FXPro UK Limited**

### **2 Summary of significant accounting policies (continued)**

#### **Adoption of new and revised IFRSs (continued)**

##### **(ii) Not adopted by the European Union (continued)**

- Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 "Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)

#### **New IFRICs**

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual period beginning on or after 1 January 2013)

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:

- Amendments to IFRS 7, "Financial Instruments: Disclosures" on derecognition of financial instruments. These amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. These amendments are effective for annual periods beginning on or after 1 July 2011 and have not yet been endorsed by the European Union
- IFRS 9, "Financial Instruments" IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union
- IFRS 13, "Fair Value Measurement" IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union



## **FXPro UK Limited**

### **2 Summary of significant accounting policies (continued)**

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the provision of online trading services in the ordinary course of the Company's activities

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement

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. To this effect there is a 70% fixed proportional recharge of administrative expenses incurred by the Company to the Parent, including payroll and rent expenses

##### **(ii) Commission income**

The Company receives commission income from the Parent for the introducing services offered. The commission is calculated on a monthly basis based on the total trading volume from all the UK clients' trading activity and a fixed average spread as agreed between the two companies

#### **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

##### **(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**

The tax expense for the period comprises current 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

## **FXPro UK Limited**

### **2 Summary of significant accounting policies (continued)**

#### **Current and deferred tax (continued)**

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

	2011 %
Office equipment	20
Computer hardware	33 33

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

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. Loans and receivables are carried at amortised cost using the effective interest method.

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 in hand, 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

# **FXPro UK Limited**

## **2 Summary of significant accounting policies (continued)**

### **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year

## **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 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.

## **FXPro UK Limited**

### **3 Financial risk management (continued)**

#### **3.1 Financial risk factors (continued)**

##### **(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.

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

	2011 £	2010 £
<b>Credit risk by category</b>		
Trade and other receivables	435,780	21,724
Cash and cash equivalents	318,144	375,189
	<u>753,924</u>	<u>396,913</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.

## FXPro UK Limited

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (c) Liquidity risk

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 £
<b>31 December 2011</b>		
Trade and other payables	9,000	-
Borrowings	-	100,000
	<u>9,000</u>	<u>100,000</u>
	Up to 1 month £	Between 2- 5 years £
<b>31 December 2010</b>		
Trade and other payables	31,169	-
Borrowings	-	100,000
	<u>31,169</u>	<u>100,000</u>

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

### 4 Revenue

	2011 £	2010 £
Intercompany commissions (Note 17(i))	613,076	-
Intercompany service charge fee (Note 17(i))	477,989	21,724
	<u>1,091,065</u>	<u>21,724</u>

### 5 Expenses by function and nature

	2011 £	2010 £
<b>Administrative expenses:</b>		
Property rent, rates and insurance	179,564	11,174
Auditors' remuneration	9,000	9,000
Other expenses	101,505	7,934
Staff costs	418,183	26,288
	<u>708,252</u>	<u>54,396</u>

## FXPro UK Limited

### 6 Staff costs

	2011 £	2010 £
Wages and salaries	373,077	24,051
Social securing costs	45,106	2,237
	<u>418,183</u>	<u>26,288</u>

The average number of employees during the year ended 31 December 2011 was 6 (2010: 6)

### 7 Income tax expense

	2011 £	2010 £
Current tax charge		
Corporation tax	<u>96,179</u>	<u>-</u>

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

	2011 £	2010 £
Profit/(Loss) before tax	<u>382,813</u>	<u>(32,672)</u>
Tax calculated at the applicable corporate tax rate	101,419	(6,861)
Impact of losses carried forward for which no deferred tax asset is recognised	-	6,861
Income not subject to tax	(378)	-
Expenses not deductible for tax purposes	3,369	-
Utilisation of tax losses brought forward from previous years	(8,231)	-
Income tax expense	<u>96,179</u>	<u>-</u>

The weighted average applicable tax rate was 26.5% (2010: 21%)

A number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reduction of the main rate of corporation tax to 22% from 1 April 2014 is expected to be enacted separately.



## FXPro UK Limited

### 8 Financial instruments by category

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

	2011 £	2010 £
<b>Loans and receivables:</b>		
<b>Assets as per balance sheet</b>		
Trade and other receivables	435,780	21,724
Cash and cash equivalents	318,144	375,189
	<u>753,924</u>	<u>396,913</u>
<b>Other financial liabilities:</b>		
<b>Liabilities as per balance sheet</b>		
Trade and other payables	9,000	31,169
Borrowings	100,000	100,000
	<u>109,000</u>	<u>131,169</u>

### 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

	2011 £	2010 £
<b>Fully performing other receivables</b>		
Counterparties without external credit rating:		
Group 1	412,965	21,724
Group 2	22,815	-
	<u>435,780</u>	<u>21,724</u>
<b>Cash at bank and short-term bank deposits<sup>(1)</sup></b>		
Aa2	<u>318,069</u>	<u>375,189</u>

(1) The rest of the balance sheet item 'cash and cash equivalents' is cash in hand

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

Group 2 – other receivables 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

None of the loans and receivables from related parties is past due but not impaired

# FXPro UK Limited

## 10 Property, plant and equipment

	Office equipment £	Computer hardware £	Total £
<b>Cost</b>			
At 1 January 2010	-	-	-
Additions	638	-	638
At 31 December 2010	638	-	638
Additions	2,104	1,094	3,198
At 31 December 2011	2,742	1,094	3,836
<b>Depreciation</b>			
At 1 January 2010	-	-	-
Charge for the year	-	-	-
At 31 December 2010	-	-	-
Charge for the year	-	-	-
At 31 December 2011	-	-	-
<b>Carrying amount</b>			
At 31 December 2011	2,742	1,094	3,836
At 31 December 2010	638	-	638

## 11 Intangible assets

	Computer software £	Total £
<b>Cost:</b>		
At 1 January 2010	-	-
Additions	946	946
At 31 December 2010	946	946
Additions	435	435
At 31 December 2011	1,381	1,381
<b>Amortisation:</b>		
At 1 January 2010	-	-
Charge for the year	-	-
At 31 December 2010	-	-
Charge for the year	-	-
At 31 December 2011	-	-
<b>Carrying amount:</b>		
At 31 December 2011	1,381	1,381
At 31 December 2010	946	946

## FXPro UK Limited

### 12 Trade and other receivables

	2011 £	2010 £
Receivable from related parties (Note 17(iv))	412,965	21 724
VAT input receivable	22,815	
	<u>435,780</u>	<u>21 724</u>

The fair values of trade and other receivables on 31 December 2010 and 31 December 2011 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

	2011 £	2010 £
Cash at bank and in hand	18,144	75,189
Short-term bank deposits	300,000	300,000
	<u>318,144</u>	<u>375 189</u>

### 14 Share capital

	Number of shares	Share Capital £	Total £
Balance at 1 January 2010	1	1	1
Issued and fully paid shares during the period	299,999	299,999	299,999
Balance at 31 December 2010/1 January 2011	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid shares during the year	-	-	-
Balance at 31 December 2011	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>

The total authorised number of ordinary shares as at 31 December 2011 was 300,000 (2010 300,000) with a par value of £1 per share

## FXPro UK Limited

### 15 Borrowings

	2011 £	2010 £
<b>Non-current</b>		
Loan payable to parent undertaking (Note 17(v))	<u>100,000</u>	<u>100,000</u>
<b>Maturity of non-current</b>		
Between 2 and 5 years	<u>100,000</u>	<u>100,000</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 weighted average effective interest rate at the balance sheet date was 6% (2010: 6%).

The fair value of borrowings on 31 December 2011 approximate their carrying amount at the statement of financial position date.

### 16 Trade and other payables

	2011 £	2010 £
Payable to related parties (Note 17(iv))	-	21,066
Other payables	<u>9,000</u>	<u>10,103</u>
	<u>9,000</u>	<u>31,169</u>

The fair value of trade and other payables on 31 December 2011 approximate their carrying amount at the statement of financial position date.

### 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. This is the smallest group for which consolidated accounts are prepared.

The following transactions were carried out with the immediate parent company

#### (i) Sale of services

	2011 £	2010 £
Intercompany commissions (Note 4)	613,076	-
Intercompany service charge fee (Note 4)	<u>477,989</u>	<u>21,724</u>
	<u>1,091,065</u>	<u>21,724</u>

## FXPro UK Limited

### 17 Related party transactions and ultimate parent undertaking (continued)

#### (ii) Key management personnel compensation

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

	2011 £	2010 £
Salaries and other short-term employee benefits	<u>97,153</u>	<u>23,570</u>

#### (iii) Directors' remuneration

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

	2011 £	2010 £
Fees	<u>97,153</u>	<u>23,570</u>

	2011 £	2010 £
Highest paid director		
Total amount of emoluments and amounts receivable under long-term incentive schemes	<u>70,072</u>	<u>10,218</u>

#### (iv) Year-end trading relationship balances

	2011 £	2010 £
Receivable from parent company (Note 12)	<u>412,965</u>	<u>21,724</u>
Payable to parent company (Note 16)	<u>-</u>	<u>21,086</u>

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

## **FXPro UK Limited**

### **17 Related party transactions and ultimate parent undertaking (continued)**

#### **(v) Borrowings from related parties**

	2011 £	2010 £
Borrowings from parent company (Note 15)	<u>100,000</u>	<u>100,000</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 weighted average effective interest rate at the balance sheet date was 6% (2010: 6%).

### **18 Events after the balance sheet date**

Mr George Xydias resigned from his position as executive director of the Company on 30 March 2012.

There were no other post balance sheet events that require adjustments or disclosure in these financial statements.